

ORCHARD ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

COMPANY REGISTRATION NUMBER:
08249884 (ENGLAND AND WALES)

ORCHARD ACADEMY TRUST
FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2016

CONTENTS	PAGE
Reference and Administrative Details	1
Trustees' Report	2
Governance Statement	11
Statement on Regularity, Propriety and Compliance	15
Statement of Trustees' Responsibilities	16
Independent Auditor's Report to the Members	17
Independent Auditor's Report on Regularity	19
Statement of Financial Activities (incorporating the Income & Expenditure Account)	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24

ORCHARD ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

YEAR ENDED 31 AUGUST 2016

Members

Dr N Smetham (Chairman)
Mrs S Bristow (Until 16 September 2015)
Miss J Dolton
Mrs J Hayes (From 1 September 2015)

Trustees

Dr N Smetham (Chairman)* Member Appointed Trustee
Mr J Allen Parent Elected Trustee (Until 27 June 2016)
Mrs S Bristow Member Appointed Trustee (Until 16 September 2015)
Mrs C Howson Staff Trustee (1 September 2015 until 27 June 2016)
Mr J Couchman* Parent Elected Trustee (Until 16 January 2016)
Mrs H Crittall Parent Elected Trustee (Until 27 June 2016)
Member Appointed Trustee (From 27 June 2016)
Miss J Dolton Member Appointed Trustee (Until 18 May 2016)
Mr M Higgs* Parent Elected Trustee (Until 29 March 2016)
Mrs J Young (Headteacher)* Ex Officio Trustee (From 1 January 2015)
Mrs A Mailing (Deputy Chairman) LA Appointed Trustee (Until 27 June 2016)
Member Appointed Trustee (From 27 June 2016)
Mrs J Sargeant Staff Governor (Until 27 June 2016)
Mrs J Hayes* Community Governor (Member) (1 September 2015 until 27 June 2016)
Mrs M Smith (Business Manager)* Member Appointed Trustee (From 27 June 2016)
Mr G Razey* Member Appointed Trustee (From 27 June 2016)
Mr A Moffatt Co-opted Trustee (From 27 June 2016)
Mr P Robertson** Member Appointed Trustee (From 1 September 2016)
Mrs H Crampton Trustee Co-opted by the Trust (From 27 June 2016)

* Member of the Finance Committee

**Chair of the Finance Committee

Company Secretary Schofield Sweeney Solicitors

Chief Finance Officer Mrs M Smith

Senior Management Team

Allington Primary School Mrs J Young (Executive Headteacher and Accounting Officer)
Mrs C Howson (Head of School)
Mrs S Monks (Inclusions Manager)
Mrs A Jones (KS1 Lead)
Miss N Flisher (EYFS Lead)

Barming Primary School Mr C Laker (Head of School)
Miss A McLoughlin (Deputy Head)
Mrs B Rathbone (Phase Leader)
Mrs V Ingram (EYFS Lead)
Mrs S Appleby (EYFS Lead)
Miss H Rootes (Director of School Improvement)

Auditors Wilkins Kennedy LLP

Bankers Lloyds

Principal and Registered Address Allington Primary School,
Hildenborough Crescent
Maidstone
Kent
ME16 0PG

Company Registration Number 8249884

ORCHARD ACADEMY TRUST

TRUSTEES' REPORT

YEAR ENDED 31 AUGUST 2016

The Trustees (Governors) present their annual report together with the financial statements and auditor's reports of the charitable company for the period from 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustee's report, and a director's report under company law.

Until the 30 June 2016, the trust operated as a single academy, Allington Primary School, for pupils aged 4 to 11 serving a catchment area in Allington. It serves a pupil capacity of 420 and has a roll of 420 in the school census in October 2015. From 1 July 2016 the Academy converted to a Multi Academy Trust - Orchard Academy Trust; it now sponsors Barming Primary School. Barming has a pupil capacity of 420 and a roll of 398 in the school census in October 2015.

Assessment of pupil's performance is used as the primary means to measure and deliver successful outcomes as they apply to maintained schools.

Allington Primary School seeks to be at the heart of the local community, promoting community cohesion and sharing its facilities and resources with other schools and the wider community. This value is mirrored at Barming Primary School.

During the year the schools have worked in collaboration with the Maidstone West Consortium. The Governing Body has explored the MATs future and has a five year plan to develop the MAT to ensure it has a sustainable future.

Structure, Governance and Management

Constitution

The Orchard 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 the Orchard Academy Trust are also directors of the charitable company for the purposes of company law. The charitable company, Allington Primary School, changed name to Orchard Academy Trust on 11 May 2016.

Trustees who served during the year are listed in the Reference and Administrative Details on page 1. Changes were made to trustees as part of the conversion to become a Multi-Academy Trust (MAT), with a Trust Board and Local Governing Bodies for each academy.

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

Allington Primary School has purchased insurance to protect Trustees, Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Allington Primary School business. Orchard Academy Trust has continued with this arrangement. The insurance provides cover up to £2,000,000 for Trustees' liability on any one occurrence.

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 AUGUST 2016

Method of Recruitment and Appointment or Election of Trustees (Governors)

The members of the Academy Trust shall comprise:

- a) the signatories to the Memorandum; and
- b) any members appointed by special resolution by the existing members.

Provided that at any time the remaining number of members shall not be less than three.

Until 27 June, the Governing Body (Trust Board) of Allington Primary School Trust comprised:

- Four community governors who were Members of the Academy Trust.
- Four elected parent governors and two elected staff governors.
- The Local Education Authority (Kent County Council) had appointed one Governor.
- The Headteacher is treated as a Governor.

The term of office for Governors is four years.

New governance arrangements were implemented when Orchard Academy Trust was established in June 2016 which comprises:

- a) A Board of Members
- b) A Trust Board, comprising:
 - One Trustee who is appointed by the Members and is also a Member.
 - Seven Trustees who are appointed by the Members, including the Executive Head and Trust Business Manager are both *ex officio*.
 - Up to three co-opted Trustees, this will include the Chairs of the Local Governing Bodies.

The Secretary of State may give a warning notice to the Trust Board and appoint Trustees under circumstances laid out in the Articles of Association.

- c) Local Governing Bodies for each School, comprising:
 - Six co-opted Governors appointed by the Trust Board
 - One staff elected Governor
 - Two Parent elected Governors
 - The Head of School for the Academy

Parent Local Governors are elected to the Local Governing Bodies by parents of registered pupils at the School. A Parent Local Governor must be a parent of a pupil at the School at the time of them being elected.

Any election of Parent Governors which is contested will be held by secret ballot. If the number of parents standing for election is less than the number of vacancies then the Governing Body will appoint Parent Governor(s) to make the number up to the required level. In appointing a Parent Governor the Governing Body will appoint a person who is the parent of a registered pupil at the School but where this is not reasonably practicable, a person who is the parent of a child of compulsory school age will be appointed.

The Governing Body may appoint up to three co-opted Governors. Co-opted Local Governors are appointed by Governors who are not themselves co-opted. Employees of the School are not eligible to be a co-opted Local Governor if the number of Governors who are employees would exceed one third of the total number of Local Governors. When seeking new co-opted Local Governors, the Chair of the Local Governing Body assesses the skill-set of the current Local Governors and considers, in consultation with the Local Governing Body, what qualities and experience would enhance the team for the benefit of the School. No co-opted Local Governors were appointed to the Local Governing Bodies during the year.

Policies and Procedures Adopted for the Induction and Training of Trustees

The training and induction provided for new Trustees and Local Governors will depend on their existing experience. Where necessary, induction will provide training on charity and educational legal and financial matters. All new Trustees and Local Governors are given a tour of the School and the chance to meet with staff and pupils. All Trustees and Local Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees and Local Governors.

All Trustees and Local Governors are encouraged to attend training provided by Kent County Council Governor Services.

ORCHARD ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

Organisational Structure

The organisational structure exists at three levels: the Board of Members, the Trust Board and Local Governing Bodies, and the Senior Leadership Team. The Members will maintain a strategic overview of Orchard Academy Trust's performance and adherence to the terms within the Funding Agreement. The Trust Board, supported by the Local Governing Bodies, is responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust and each School by the use of budgets and making major decisions about the direction of the Trust and Schools, capital expenditure and senior staff appointments.

A Trust Finance Committee is established, which considers budget and premises matters in detail and makes decisions, according to an agreed Scheme of Delegation and Terms of Reference. The Trust Finance Committee also undertakes the role of Audit Committee to provide scrutiny over the financial systems and control. A Trust Pay and Personnel Committee is established, which considers pay and personnel matters in detail and makes decisions according to an agreed Scheme of Delegation and Terms of Reference.

A Staff Discipline Committee and an Appeals Committee are formed by the Governing Bodies from the pool of Local Governors as the need arises. The Trust and Local Governing Bodies will also establish ad-hoc working groups to address specific matters and report back to Trust and Local Governing Body as relevant.

The Local Governing Bodies operate under the "Circle" Model. All matters, including teaching and learning, curriculum, personnel, pupils and pupil welfare, finance, premises, resources, ICT, and new developments and projects, are considered and discussed at meetings of the Local Governing Body.

The Head of School and Senior Leaders at each School control their School at an executive level implementing the policies laid down by the Trustees and Local Governors and reporting back to them. As a group the Head of School and Senior Leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff. They are responsible for the day to day operation of the School, in particular organising the teaching staff, facilities and pupils. The Executive Headteacher is the Principal and the Accounting Officer for the Multi Academy Trust. The Trust agreed delegated financial authority to the Heads of School up to £8K; spending in excess of £8K and up to £50K is delegated to the Executive Headteacher and the Trust Finance Committee. All higher spending must be referred to the Trust Board.

Arrangements for setting pay and remuneration of key management personnel

The trust has retained responsibility for setting the pay and remuneration of the Accounting Officer. The trust has delegated the responsibility of setting the pay and remuneration of the other members of the senior leadership team to the Accounting Officer.

Connected Organisations including Related Party Relationships

Allington Primary School and Barming Primary School are members of the Maidstone West Consortium which includes Palace Wood Primary School, Brunswick House Primary School, St Michael's Infant and Junior Schools, Westborough Primary School, St Francis Primary School, the Jubilee School and Bower Grove Special School. The Consortium works in collaboration with the Local Authority to share good practice and raise standards in all of its schools. During the year Allington Primary School began supporting Barming Primary School prior to conversion taking place. The School's Specialist Leaders of Education (SLE) have supported at Foundation stage; The Keystage 1 leader has supported at Keystage one level and staff from Barming have visited Allington to observe outstanding teaching. Together, with support from County, standards have begun to raise and results achieved at the end of the year were broadly in line with, or just above national.

As a Teaching School, as well as supporting Barming Primary School prior to conversion, Allington Primary School commits to working with universities and has sponsored a School's Direct placement as well as other work placements. The Trust commits to CPD and has invested in a significant amount of training this year including two members of staff working on their National and Professional Qualification for Middle Leadership (NPQM) the Business Manager has completed the School Business Manager diploma and the Inclusion Manager has also completed the Special Educational Needs Coordinator (SENCO) award.

The Trust will continue to strengthen existing collaborations and seek further opportunities to work with other schools as part of our strategy to provide outstanding education.

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 AUGUST 2016

Objectives and Activities

Objects and Aims

Our aim is for our schools to be in the top 10% of schools nationally and we continue to strive to meet the aims and objectives of the schools by providing a safe, caring, fun and exciting environment for learning. We believe that we have a very talented and committed staff who are dedicated to making this happen.

The Trusts Vision:

We inspire families in and around our schools to thrive and lead fulfilling lives.

As a Multi-Academy Trust we currently support two schools on this journey.

Our schools act as beacons of learning – for children and adults alike - inspiring self-development and nurturing growth with fun and enjoyment along the way.

We have an incredibly strong sense of togetherness. We all work together as staff, parents, governors, relatives and members of the local community, to nurture a truly creative and supportive learning environment for our children to thrive.

Our focus is on developing the whole child, giving them the best possible chance of realising their true potential. We support our children in being healthy and happy, with a keen sense of who they are and where they might go in life.

As we grow we are looking to partner with other local schools to ensure we maintain our unique family and community feel.

Objectives, Strategies and Activities

Our objectives, strategies and activities are outlined in each school's development plan, which lays out our aspirations for the future development of each school.

Our aims are to:

- Ensure all teaching is at least good and all teachers deliver outstanding lessons on a regular basis, conducting rigorous and robust monitoring of standards.
- Address all areas of concern identified through rigorous analysis of performance data, target setting.
- Design a curriculum that builds upon local and national research and utilises the best possible resources, both human and physical.
- Make best use of those resources available beyond each school's grounds through community links and school-to-school support.
- For Allington Primary School to carry out its work as a Teaching School, raising standards in the sponsored schools, whilst continuing to deliver the best possible education for its children.
- Carry out accurate and honest self-evaluation

Allington Primary School attracts pupils from a wide area well beyond its catchment which reflects the popularity of the school and the high regard the wider community has for it.

Barming Primary School also attracts pupils from a wide area and has a rising roll.

Each school is at the heart of their local communities and enjoys strong links with local groups including Football Clubs, Scout Groups, and Brownie/Guide groups who use the facilities on a regular basis. The schools also maintain links with their local churches and playgroups.

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

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 aims 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. The criteria used to admit pupils to the school:

- Looked after children
- Siblings
- Proximity to the school

In September 2016 the furthest offer made at Allington Primary School was 1.8715 miles from the school. The furthest offer made at Barming Primary School was 2.594 miles from the school.

Strategic Report

Achievements and Performance

Allington:

Children at Allington Primary School have performed very well against its key targets in statutory and non-statutory tests. Data indicates that the children continue to make good and outstanding progress from Key Stage 1 to Key Stage 2 in both English and Mathematics. Results in Key Stage 1 and Key Stage 2 in reading were much stronger this year due to the many intervention groups which ran throughout the year and a whole-school focus on reading. In some areas SEN children and Pupil Premium children made more than the expected progress from Key Stage 1 to Key Stage 2.

The following tables compare each schools data to Kent and National figures:

Key Stage 1

	School	Kent	National
Reading % Expected +	90.0	78.2	74.0
Writing % Expected +	73.3	71.3	65.5
Mathematics Level Expected +	78.3	77.5	72.6
Reading % Level High Score	33.3	24.6	23.6
Writing % Level Greater depth	28.3	15.1	13.3
Mathematics % Level High Score	20.0	18.5	17.8

Key Stage 2

	School	Kent	National
Reading % Expected+	90.0	69.0	66.0
Writing % Expected+	95.0	80.0	74.0
Mathematics Expected+	93.3	71.0	70.0
Spelling, Punctuation and Grammar	93.3	72.0	72.0
Reading/Writing/Mathematics % Expected+	85.0	58.0	53.0
Reading % High Score	38.3	21.0	19.0
Writing % Greater depth	21.7	15	6.1
Mathematics % High Score	33.3	17	17
Spelling, Punctuation and Grammar % High Score	35.0	22.0	23.0
Reading/Writing/ Mathematics % Higher standard	10.0	6.0	5.0

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

Progress Key Stage 1 to Key Stage 2

Progress is within the average of the top 25% of schools nationally.

	Allington	National	Difference	Outstanding Schools
Reading	3.2	0	+3.2	+2.3
Writing	2.0	0	+2.0	
Maths	2.9	0	+2.9	+2.5

Children across the school embrace all aspects of school life and the school is proud of their achievements in Music, Drama and Sport as well as their academic successes. This year more than 57% of Year 6 gained selective school places.

Barming:

Barming Primary school's results show pupils have achieved broadly in line with or above schools nationally.

Key Stage 1

Achieved Expected Standard	School	Kent	National
Reading %	82.5	78.2	74
Writing %	80.7	71.3	65.5
Maths %	75.4	77.5	72.6

Achieved Greater Depth	School	Kent	National
Reading %	29.8	24.6	23.6
Writing %	12.3	15.1	13.3
Maths %	26.3	18.5	17.8

Key Stage 2

Achieved Expected Standard	School	Kent	National
Reading %	68.4	69	66
Writing %	77.2	80	74
SPAG %	71.9	72	72
Maths %	68.4	71	70
Combined %	57.9	58	53

Achieved Greater Depth /High Score	School	Kent	National
Reading %	31.6	21	19
Writing %	10.5	15	15
SPAG %	26.3	22	23
Maths %	21.1	17	17

Children across the school embrace all aspects of school life and the school is proud of their achievements in Music, Drama and Sport as well as their academic successes. This year more than 28% of Year 6 gained selective school places

Key Performance Indicators

The success of the Trust is dependent on maintaining the current level of income in order to provide a sound financial base to develop and improve. The main source of income is the grant funding which is dependent on the number of pupils who choose to join each school. Maintaining Allington Primary School as "Outstanding" by keeping to its values and delivering its aims and objectives should ensure the school can retain the current numbers of pupils at the school and remain in a sound financial position. Raising standards and achievements at Barming Primary School should ensure the number on roll continues to increase, thus improving the budget. The Governors and Trustees recognise that a satisfactory roll-over from year-to-year is important to ensure we are resilient to unforeseen circumstances.

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 AUGUST 2016

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Multi 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. Following the conversion to a Multi Academy Trust the schools have also reviewed staffing structures and will make changes to ensure finances are healthy and sustainable for the next three years.

Financial Review

Most of the Academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, some of which are 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 Academy has also received grants for fixed assets from the EFA. 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 assets fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Allington Primary School is full and has maximised the level of grant funding available with an income of £1,663k 2015: £1,620k) revenue grant funding. Barming Primary School transferred £262k of funding for the two months post conversion.

In agreeing the budget for Allington Primary School for the year a roll-over of £48k was forecast by the Governing Body. As a result of successful bids for High Needs Funding; receipt of School Improvement Grant and economies of scale achieved through Multi Academy Trust (MAT) status the roll over produced at Allington Primary School was £198k. Barming Primary School transferred a roll-over of £165K.

The Kent County Council Pension Fund in which the Academy participates showed a deficit of £1,095k (2015: £331k) at 31 August 2016. Of this sum £380k was inherited by Barming Primary School on conversion to an academy trust on 1 July 2016.

The main source of income is funding from the EFA that is paid monthly to the school throughout the year. Given this and the planned reserves at the school the Trust Board does not consider they have a cash flow or liquidity risk.

Reserves policy

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees have determined that the appropriate level of free reserves should be approximately four weeks of working capital (approximately £190k).

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's level of free reserves is £196,880 (2015: £55,071) (total funds less the amount held in fixed assets and restricted funds) as at 31 August 2016. There has been a level of higher reserves over the last couple of years to allow for the expected increased in staff costs, we have now been through a restructure process and the reserves going forward should now be in line with expected levels.

Principal Risks and Uncertainties

The Trustees considers the Principle Risks and Uncertainties are: the retention of the number of pupils on roll and changes in funding levels. The retention of pupil numbers is not considered a significant risk currently as Allington Primary School has been oversubscribed for the last ten years; Barming Primary School has a rising roll. Maintaining the outstanding education at Allington Primary School and raising standards at Barming Primary School to at least 'Good' in the immediate future, should ensure pupil numbers remain healthy. The Trustees consider potential changes in the future level of funding when agreeing the three year budget and ensure appropriate contingencies are included in forward plans.

The Trustees also recognise that there is a risk arising from the need to use the general fund to complete capital work to maintain the Trust's premises development if we are unsuccessful in capital funding bids.

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 AUGUST 2016

Investment Policy

The Trust maximises the total return on investments whilst containing the risk to an acceptable level. Trustees note the current low level of return on investments and insignificant reserves available for long-term investment at the present time. A bank account has been set up to earn interest on all balances and surplus funds are transferred to a higher earning savings account. The Trustees have agreed that the Executive Head, in liaison with the Chief Financial Officer will have the authority to move temporary cash surpluses on a monthly basis by transfer to a saving account, if it was appropriate to do so at any given time. The Trustees will consider medium term investment when considering the budget in future years and update the policy accordingly. Periodical reports are submitted to the Trustees on the performance of investments.

Plans for Future Periods

Orchard Academy Trust plans for the future are:

- To achieve the targets for KS1 and KS2 performance for 2016/17

Allington:

Key Stage 1

Subject	Target %
Expected Reading	95
Exceeding Reading	40
Expected Writing	85
Exceeding Writing	40
Expected Maths	85
Exceeding Maths	40

Key Stage 2

Subject	Target %
Expected Reading	95
Expected Writing	95
Expected Maths	95
Expected R/W/M	95
Exceeding Reading	40
Exceeding Writing	40
Exceeding Maths	40
Exceeding R/W/M	40

Barming:

Key Stage 1

Subject	Target %
Expected Reading	90
Exceeding Reading	35
Expected Writing	80
Exceeding Writing	30
Expected Maths	80
Exceeding Maths	30

ORCHARD ACADEMY TRUST
TRUSTEES' REPORT (CONTINUED)
YEAR ENDED 31 AUGUST 2016

Key Stage 2

Subject	Target %
Expected Reading	80
Expected Writing	85
Expected Maths	85
Expected R/W/M	75
Exceeding Reading	35
Exceeding Writing	35
Exceeding Maths	35
Exceeding R/W/M	35

- To advance Outstanding Teaching and Inclusion in each School.
- To develop sponsored school to achieve at least 'Good' judgements.
- To increase the size of the MAT, bid for a Free School March 17

Funds Held as Custodian Trustee on Behalf of Others

There were no funds held on behalf of others.

Auditor

Insofar as the Trust is aware:

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

Approved by order of the Board of Trustees on 14 December 2016 and signed on its behalf by:

.....
Dr Nigel Smetham
Chair of Trust

ORCHARD ACADEMY TRUST
GOVERNANCE STATEMENT
YEAR ENDED 31 AUGUST 2016

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that the 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 mis-statement or loss.

The Trustees have delegated the day-to-day responsibility to the Executive Head, 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 Orchard Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Trust any material weaknesses or breakdowns in internal control.

Governance

Trust Board

The Board of Trustees for Allington Primary School Academy Trust (the Single Academy Trust until 27th June 2016) met seven times during the year. Attendance during the period at the meetings were as follows:

	Meetings attended	Out of a possible
Dr N Smetham (Chairman)	7	7
Mrs A Mailing (Deputy Chairman)	5	7
Mr J Allen	7	7
Mrs S Bristow	1	1
Mr J Couchman	3	5
Mrs H Crittall	6	7
Miss J Dolton	5	7
Mrs J Hayes	7	7
Mr M Higgs	5	6
Mrs C Howson	6	7
Mrs J Sargeant	6	7
Mrs J Young	6	7

The Board of Trustee for Orchard Academy Trust (the Multi Academy Trust from 27th June 2016) met on two occasions. Attendance at these meetings was as follows:

	Meetings attended	Out of a possible
Dr N Smetham (Chairman)	2	2
Mrs A Mailing (Deputy Chairman)	2	2
Mrs H Crittall	2	2
Mr G Razey	1	2
Mrs M Smith	2	2
Mr A Moffatt	1	1
Mrs J Young	2	2

ORCHARD ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

The Trust Finance Committee, which includes the role of Audit Committee, met on three occasions and attendance at the meetings was as follows:

	Meetings attended	Out of a possible
Mr J Couchman	1	2
Mrs J Hayes	2	2
Mr M Higgs	2	2
Dr N Smetham	3	3
Mrs J Young	3	3

The Trust Pay & Personnel Committee met on three occasions to review the pay policy and consider progression of staff up the pay scales. Attendance at the meetings was as follows:

	Meetings attended	Out of a possible
Mrs A Mailing	3	3
Mrs J Dolton	1	3
Mrs H Crittall	2	3
Mrs J Young	3	3

The Local Governing Bodies for Allington Primary School and Barming Primary School have met on one occasion since the new governance structure has been established. Attendance at the meetings was as follows:

Allington Primary School Local Governing Body

	Meetings attended	Out of a possible
Dr N Smetham (Chairman)	1	1
Mrs A Mailing (Deputy Chairman)	0	1
Mr J Allen	1	1
Mrs H Crittall	1	1
Mrs J Hayes	1	1
Mr A Hemmings	1	1
Mrs C Howson (Head of School)	1	1
Mr D Jumnoodoo	1	1
Mrs J Sargeant	1	1

Barming Primary School Local Governing Body

	Meetings attended	Out of a possible
Mrs H Crampton (Chairman)	1	1
Mr S Jones (Deputy Chairman)	1	1
Mr C Brinn	1	1
Mr P Davis	1	1
Mrs H Elvers	1	1
Mrs A Grant	1	1
Mr C Laker (Head of School)	1	1
Rev Wil North	1	1
Dr N Smetham	1	1

ORCHARD ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

Review of Value for Money

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

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

- reviewing staffing structures and re-structuring to meet the needs of the school;
- ensuring the needs of all pupils are identified and results in effective allocation of resources;
- ensure High Needs Funding bids are made for pupils who need additional support
- ensuring effective teaching; and
- ensuring the schools continue to work collaboratively with the Maidstone West Consortium to share good practice and drive up standards for least cost.

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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Allington Primary School for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements and for Barming Primary School from 1 July to 31 August 2016.

Capacity to Handle Risk

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

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the 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 Trust has considered the need for a specific internal audit function once again during 2015/16 and decided to appoint Day, Smith and Hunter (merged with Wilkins Kennedy LLP in September 2016) to undertake reviews of our system of internal financial control. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks in the current period included:

- testing of payroll systems;
- testing of purchase systems; and
- testing of bank reconciliations

The external auditor has delivered their schedule of work as planned and no material control issues were identified.

ORCHARD ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

YEAR ENDED 31 AUGUST 2016

Governance Review

The focus of the Trustees over the period covered by the report has been on ensuring a smooth transition during a time of change from a single academy trust to a multi academy trust. During this time, the local governing body has continued to carry out its key strategic functions including holding senior members of staff to account and carrying out monitoring visits.

Review of Effectiveness

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

- the findings of the internal audits.
- the work of the external auditor.
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the governing body on 14 December 2016 and signed on its behalf by:

.....
Dr N Smetham
Chair of Trust

.....
J Young
Accounting Officer

ORCHARD ACADEMY TRUST

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

YEAR ENDED 31 AUGUST 2016

As Accounting Officer of Orchard Academy Trust I have considered my responsibility to notify the Academy Trust's Board of Trustees and the Education Funding Agency (EFA) 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. 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's 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 the EFA.

.....
J Young
Accounting Officer

Date: 14 December 2016

ORCHARD ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

YEAR ENDED 31 AUGUST 2016

The Trustees of Orchard Academy Trust (who are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Annual Report, and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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 Education Funding Agency/Department for Education 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 14 December 2016 and signed on its behalf by:

.....
Dr N Smetham
Chair of Trust

ORCHARD ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF ORCHARD ACADEMY TRUST

We have audited the financial statements of Orchard Academy Trust for the year ended 31 August 2016 as set out on pages 21 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

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 charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

ORCHARD ACADEMY TRUST

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
TO THE MEMBERS OF ORCHARD ACADEMY TRUST
(CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report and Governance Statement for the financial year for which the financial statements are prepared are consistent with the financial statements.

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.

MICHELLE WILKES FCA (Senior Statutory Auditor)

For and on behalf of

Wilkins Kennedy LLP
Chartered Accountants & Statutory Auditor
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

Date : 15 December 2016

ORCHARD ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ORCHARD ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

YEAR ENDED 31 AUGUST 2016

In accordance with the terms of our engagement letter dated 3 November 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 Orchard Academy Trust during the period 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 Orchard Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Orchard Academy 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 Orchard Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Orchard Academy Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Orchard Academy Trust's funding agreement with the Secretary of State for Education dated 31 August 2012 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 period 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 trust's income and expenditure.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion as well as additional testing based on our assessment of risk of material irregularity.

ORCHARD ACADEMY TRUST

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ORCHARD
ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

YEAR ENDED 31 AUGUST 2016 (CONTINUED)

Conclusion

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

Reporting Accountant

Wilkins Kennedy LLP
Chartered Accountants & Statutory Auditor
Globe House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

Date : 15 December 2016

ORCHARD ACADEMY TRUST
STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 AUGUST 2016

	Notes	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2016 £	Total 2015 £
Income and endowments from						
Donations and capital grants	2	36,890	-	283,866	320,756	423,871
Transfer from local authority on conversion	26	164,406	(358,927)	3,006,913	2,812,392	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	1,925,508	-	1,925,508	1,620,516
Other trading activities	4	37,363	-	-	37,363	21,919
Investments	5	1,409	-	-	1,409	340
Total		<u>240,068</u>	<u>1,566,581</u>	<u>3,290,779</u>	<u>5,097,428</u>	<u>2,066,646</u>
Expenditure on:						
Raising funds	6	5,239	-	-	5,239	5,133
Charitable activities						
Academy trust educational operations	7	35,902	1,930,628	121,167	2,087,697	1,722,516
Total		<u>41,141</u>	<u>1,930,628</u>	<u>121,167</u>	<u>2,092,936</u>	<u>1,727,649</u>
Net income/(expenditure)		198,927	(364,047)	3,169,612	3,004,492	338,997
Transfers between funds	17	(57,118)	(3,789)	60,907	-	-
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension schemes	23	-	(346,000)	-	(346,000)	(7,000)
Net movement in funds		141,809	(713,836)	3,230,519	2,658,492	331,997
Reconciliation of funds						
Total funds brought forward		55,071	(262,278)	3,944,851	3,737,644	3,405,647
Total funds carried forward		<u>196,880</u>	<u>(976,114)</u>	<u>7,175,370</u>	<u>6,396,136</u>	<u>3,737,644</u>

All of the Academy Trust's activities derive from continuing operations during the above two financial periods.

The notes on pages 24 to 42 form part of these financial statements.

ORCHARD ACADEMY TRUST

BALANCE SHEET

AS AT 31 AUGUST 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible fixed assets	12	7,196,897	4,012,292
Current assets			
Stock		3,120	2,000
Debtors	13	153,563	33,759
Cash at bank and in hand		<u>378,599</u>	<u>494,822</u>
		535,282	530,581
Creditors: amounts falling due within one year	14	<u>(241,043)</u>	<u>(441,818)</u>
Net current assets		<u>294,239</u>	<u>88,763</u>
Total assets less current liabilities		7,491,136	4,101,055
Creditors: amounts falling due after more than one year	15	<u>-</u>	<u>(32,411)</u>
Net assets excluding pension liability		7,491,136	4,068,644
Pension scheme liability	23	<u>(1,095,000)</u>	<u>(331,000)</u>
Net assets including pension liability		<u><u>6,396,136</u></u>	<u><u>3,737,644</u></u>
 Funds			
Restricted funds			
General fund	16	118,886	68,722
Pension reserve	16	(1,095,000)	(331,000)
Fixed asset fund	16	<u>7,175,370</u>	<u>3,944,851</u>
		6,199,256	3,682,573
Unrestricted funds			
General fund	16	<u>196,880</u>	<u>55,071</u>
Total funds		<u><u>6,396,136</u></u>	<u><u>3,737,644</u></u>

The financial statements have been approved, and authorised for issue, by the Trustees on 14 December 2016 and signed on their behalf by:

.....
Dr N Smetham
Chair of Trust

.....
J Young
Executive Headteacher

Registered Company Number: 08249884

The notes on pages 24 to 42 form part of these financial statements.

ORCHARD ACADEMY TRUST

CASH FLOW STATEMENT

YEAR ENDED 31 AUGUST 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	20	(118,433)	353,621
Cash flows from investing activities	21	<u>2,210</u>	<u>(5,228)</u>
Change in cash and cash equivalent in the reporting period		<u>(116,223)</u>	<u>348,393</u>
Reconciliation of net cash flow to movement in net funds			
Cash and cash equivalents at 1 September 2015		<u>494,822</u>	<u>146,429</u>
Cash and cash equivalents at 31 August 2016		<u><u>378,599</u></u>	<u><u>494,822</u></u>

The notes on pages 24 to 42 form part of these financial statements.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2016

1. Statement of accounting policies

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

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Orchard Academy Trust meets the definition of a public benefit entity under FRS 102.

These accounts for the year ended 31 August 2016 are the first accounts of The Orchard Academy Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 September 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27.

Going concern

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

Conversion to an Academy Trust

The assets and liabilities transferred on conversion to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under restricted fixed asset funds. Further details of the transactions are set out in note 26.

Income

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income, including specific capital grants, is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued. The General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grants are reflected in the balance in the restricted fixed asset fund.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

1. Statement of accounting policies (continued)

Income (continued)

- **Sponsorship**
Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.
- **Donations**
Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.
- **Other income**
Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.
- **Donated services and gifts in kind**
Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected cost of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.
- **Interest receivable**
Interest receivable is included within the statement of financial activities on a receivable basis.

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

- **Expenditure on raising funds**
This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fund raising activities, events and non-charitable trading.
- **Charitable activities**
These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

1. Statement of accounting policies (continued)

Tangible Fixed Assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the restricted fixed asset fund.

The freehold property has been included at its donated value as provided by the EFA when completing their desktop valuation. The Academy has use of the leasehold property under a 125 year lease from conversion from Kent County Council. The leasehold land and buildings comprise the property transferred on the conversion of Barming Primary School and are included at a valuation provided the Kent County Council as at 31 March 2016. The valuation will be revalued as at 31 August 2017 when the EFA have completed their desktop valuation.

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

Motor vehicles	20% on cost
Computer equipment	33% on cost
Equipment fixtures & fittings	20% on cost
Freehold land and buildings	2% on cost
Leasehold land and buildings	2% on cost

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

Liabilities

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

Operating lease transactions

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

Taxation

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

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR 31 AUGUST 2016

1. Statement of Accounting policies (continued)

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in Note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions are recognised in the period in 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 introduction, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses

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

Fund accounting

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

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

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

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

1. Statement of Accounting policies (continued)

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

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

Critical areas of judgement

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Bad debts

Debtors are regularly reviewed for recoverability, any debts which in the opinion of management are not recoverable are provided for as a specific bad debt.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Capital grants	-	283,866	283,866	373,076
Other donations	36,890	-	36,890	50,795
	<u>36,890</u>	<u>283,866</u>	<u>320,756</u>	<u>423,871</u>

The income from donations and capital grants was £320,756 (2015 : £423,871) of which £36,890 was unrestricted (2015 : £41,758), £Nil restricted (2015 : £9,037) and £283,866 restricted fixed assets (2015 : £373,076).

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

3. Funding for the Academy's educational operations

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	1,617,645	1,617,645	1,433,652
Other DfE/EFA grants	-	237,388	237,388	140,168
	<u>-</u>	<u>1,855,033</u>	<u>1,855,033</u>	<u>1,573,820</u>
Other government grants				
Local authority grants	-	70,475	70,475	44,738
Special educational projects	-	-	-	1,958
	<u>-</u>	<u>70,475</u>	<u>70,475</u>	<u>46,696</u>
	<u>-</u>	<u>1,925,508</u>	<u>1,925,508</u>	<u>1,620,516</u>

The funding for the academy trust's educational operations was £1,925,508 (2015 : £1,620,516) all of which , in both years, was restricted.

4. Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Uniforms	5,405	-	5,405	5,843
Hire of facilities	11,444	-	11,444	9,850
Other	20,514	-	20,514	6,226
	<u>37,363</u>	<u>-</u>	<u>37,363</u>	<u>21,919</u>

The income from other trading activities was £37,363 (2015 : £21,919) all of which in both years, was unrestricted.

5. Investment income

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Interest on short-term deposits	<u>1,409</u>	<u>-</u>	<u>1,409</u>	<u>340</u>

The income from investments was £1,409 (2015 : £340), all of which in both years, was unrestricted.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

6. Expenditure

	Staff Costs	Non pay expenditure		Total	Total
	£	Premises	Other Costs	2016	2015
	£	£	£	£	£
Expenditure on raising funds	-	-	5,239	5,239	5,133
Academy's educational operations:					
Direct costs	1,417,961	-	254,346	1,672,307	1,365,075
Allocated support costs	154,766	101,751	158,873	415,390	357,441
	<u>1,572,727</u>	<u>101,751</u>	<u>418,458</u>	<u>2,092,936</u>	<u>1,727,649</u>

Net income/(expenditure) for the period includes:

	2016	2015
	£	£
Depreciation	105,372	91,988
Operating lease rentals	7,821	652
Fees payable to auditor for:		
Audit	6,000	5,850
Other fees payable to the auditor	1,190	2,060
	<u>120,383</u>	<u>100,550</u>

The expenditure was £2,092,936 (2015 : £1,727,649), of which £41,141 was unrestricted (2015 : £42,068), £1,930,628 restricted (2015 : £1,593,593) and £121,167 restricted fixed assets (2015 : £91,988).

7. Charitable activities

	Total 2016	Total 2015
	£	£
Direct costs – educational operations	1,672,307	1,365,075
Support costs – educational operations	415,390	357,441
	<u>2,087,697</u>	<u>1,722,516</u>
Analysis of support costs		
Support staff costs	154,766	124,708
Depreciation	10,773	11,644
Technology costs	3,705	1,291
Premises costs	100,883	95,323
Other support costs	115,313	111,752
Governance costs	29,950	12,723
	<u>415,390</u>	<u>357,441</u>

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

8. Staff

a) Staff costs

Staff costs during the period were:

	Total 2016	Total 2015
	£	£
Wages and salaries	1,234,840	1,033,899
Social security costs	83,957	67,163
Operating costs of defined benefit pension schemes	<u>227,922</u>	<u>167,258</u>
	1,546,719	1,268,320
Supply staff costs	<u>26,008</u>	<u>14,728</u>
	<u><u>1,572,727</u></u>	<u><u>1,283,048</u></u>

b) Staff numbers

The average number of persons, by headcount, employed by the academy during the period was as follows:

	2016	2015
	No	No
Teachers	29	20
Administration and support	24	20
Management	<u>4</u>	<u>3</u>
	<u><u>57</u></u>	<u><u>43</u></u>

c) Higher paid staff

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

	2016	2015
	No	No
£90,000 - £100,000	1	-
£60,001 - £70,000	<u>1</u>	<u>1</u>

d) Key management personnel

The key management personnel of the Academy Trust comprise the Trustees and the Senior Management Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £284,366 (2015 : £138,654).

9. Central Services

No central services were provided by the Trust to its Academies during the year and no central charges arose.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

10. Related party transactions – 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 Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles under their contracts of employment. The value of trustees’ remuneration and other benefits was as follows:

J Young (Executive Head)
 - Remuneration £60,001 - £65,000 (2015: £60,001 -£65,000)
 - Employer’s pension contributions paid £5,000 - £10,000 (2015:£5,000 -£10,000)
 M Connell (Staff Governor)
 - Remuneration £nil (2015: £20,000 - £25,000)
 - Employer’s pension contributions paid £nil (2015: £1 -£5,000)
 J Hayes (Community Governor)
 - Remuneration £nil (2015: £15,000 - £20,000)
 - Employer’s pension contributions paid £nil (2015:£1 - £5,000)
 J Sargeant (Staff Governor)
 - Remuneration £10,000 - £15,000 (2015: £10,000 - £15,000)
 - Employer’s pension contributions paid £1 - £5,000 (2015: £1 -£5,000)
 C Howson (Head of School Allington Primary)
 - Remuneration £45,000 - £50,000 (2015: £nil)
 - Employer’s pension contributions paid £5,000 - £10,000 (2015: £nil)
 M Smith (Chief Finance Officer)
 - Remuneration £1 - £5,000 (2015: nil)
 - Employer’s pension contributions paid 2016; £nil (2015: £nil)
 Other related party transactions involving the Trustees are set out in note 26.

11. Trustees’ and officers’ insurance

The Academy Trust has opted into the Department of Education’s risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise This scheme protects Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business, and provided cover up to £10,000,000. It is not possible to quantify the Trustees and Officers indemnity element from the overall cost of the RPA scheme.

12. Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Computer Equipment	Equipment fixtures and fittings	Motor vehicles	Total
Cost	£	£	£	£	£	£
At 1 September 2015	4,221,794	-	22,575	29,252	3,500	4,277,121
On Conversion	-	3,006,913	-	-	-	3,006,913
Additions	283,065	-	-	-	-	283,065
At 31 August 2016	<u>4,504,859</u>	<u>3,006,813</u>	<u>22,575</u>	<u>29,252</u>	<u>3,500</u>	<u>7,567,099</u>
Depreciation						
At 1 September 2015	233,535	-	13,494	15,700	2,100	264,829
Charge for the period	94,600	-	4,223	5,850	700	105,373
At 31 August 2016	<u>328,135</u>	<u>-</u>	<u>17,717</u>	<u>21,550</u>	<u>2,800</u>	<u>370,202</u>
Net book value						
At 31 August 2016	<u>4,176,724</u>	<u>3,006,913</u>	<u>4,858</u>	<u>7,702</u>	<u>700</u>	<u>7,196,897</u>
Net book value						
At 31 August 2015	<u>3,988,259</u>	<u>-</u>	<u>9,081</u>	<u>13,552</u>	<u>1,400</u>	<u>4,012,292</u>

Included in leasehold property is land of £446,250 which is not depreciated
 Additions to freehold land and buildings comprise of improvements to existing buildings.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

13. Debtors

	2016	2015
	£	£
Trade debtors	438	626
VAT recoverable	29,539	9,514
Other debtors	113,329	8,536
Prepayments and accrued income	10,257	15,083
	<u>153,563</u>	<u>33,759</u>

14. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Loans due in one year	32,713	35,030
Trade creditors	43,712	38,448
Accruals and deferred income	164,618	368,340
	<u>241,043</u>	<u>441,818</u>

	2016	2015
	£	£
Deferred income		
Deferred income at 1 September 2015	317,635	129,882
Resources deferred in the year	77,206	317,635
Amounts released from previous period	(317,635)	(129,882)
	<u>77,206</u>	<u>317,635</u>

At the balance sheet date the Academy Trust was holding funds received in advance for trips and capital projects and the provision of school meals. In addition, the Academy Trust had received funding relating to 2016/17 for rates.

15. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Loans due in two to five years	<u>-</u>	<u>32,411</u>

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

16. Funds

	1 September 2015 £	Incoming resources £	Resources Expended £	Gains, losses & transfers £	31 August 2016 £
Restricted general funds					
General Annual Grant (GAG)	41,624	1,617,645	(1,616,762)	5,722	48,229
Other DfE/EFA grants	11,730	237,388	(186,180)	-	62,938
Other Local Authority Grants	-	70,475	(70,475)	-	-
Other restricted projects	5,857	-	(5,857)	-	-
Pension reserve	(331,000)	(380,000)	(38,000)	(346,000)	(1,095,000)
Transfers on conversion	9,511	21,073	(13,354)	(9,511)	7,719
	<u>(262,278)</u>	<u>1,566,581</u>	<u>(1,930,628)</u>	<u>(349,789)</u>	<u>(976,114)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	-	283,866	-	(272,680)	11,186
General fixed asset fund	4,012,292	3,006,913	(121,167)	298,859	7,196,897
Liability adopted on conversion	(67,441)	-	-	34,728	(32,713)
	<u>3,944,851</u>	<u>3,290,779</u>	<u>(121,167)</u>	<u>60,907</u>	<u>7,175,370</u>
Total restricted funds	<u><u>3,682,573</u></u>	<u><u>4,857,360</u></u>	<u><u>(2,051,795)</u></u>	<u><u>(288,882)</u></u>	<u><u>6,199,256</u></u>
Unrestricted funds					
Unrestricted funds	<u>55,071</u>	<u>240,068</u>	<u>(41,141)</u>	<u>(57,118)</u>	<u>196,880</u>
Total unrestricted funds	<u><u>55,071</u></u>	<u><u>240,068</u></u>	<u><u>(41,141)</u></u>	<u><u>(57,118)</u></u>	<u><u>196,880</u></u>
Total funds	<u><u>3,737,644</u></u>	<u><u>5,097,428</u></u>	<u><u>(2,092,936)</u></u>	<u><u>(346,000)</u></u>	<u><u>6,396,136</u></u>

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

The General Annual Grant (GAG) relates to income received to cover the annual running costs of the Academy. 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.

Other DfE/EFA grants relates to pupil premium, rates relief, universal free school meals and the devolved capital grant.

Other local authority grants relate to SEN funding and pupil premium.

The related fixed asset funds relate to income received to finance capital projects.

The transfer of funds relates to the purchase of fixed assets during the year and the excess of expenditure over grant income funded from general reserves.

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows

	£
Allington Primary School	197,989
Barming Primary School	<u>117,777</u>
Total before fixed asset fund and pension reserve	315,766
Restricted fixed asset fund	7,175,370
Pension reserve	<u>(1,095,000)</u>
Total	<u><u>6,396,136</u></u>

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

16. Funds (continued)

Analysis of academies by cost

	Teaching and education support staff cost £	Other support staff costs £	Educational supplies £	Other costs (excluding depreciation) £	Total 2016 £	Total 2015 £
Allington Primary	1,229,023	140,393	56,978	294,793	1,721,187	1,635,661
Barming Primary	188,938	14,373	7,733	55,332	266,376	-
	<u>1,417,961</u>	<u>154,766</u>	<u>64,711</u>	<u>350,125</u>	<u>1,987,563</u>	<u>1,635,661</u>

17. Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	7,196,897	7,196,897
Current assets	196,880	327,216	11,186	535,282
Current liabilities	-	(208,330)	(32,713)	(241,043)
Pension scheme liability	-	(1,095,000)	-	(1,095,000)
Total net assets	<u>196,880</u>	<u>(976,114)</u>	<u>7,175,370</u>	<u>6,396,136</u>

18. Commitments under operating leases

Operating leases

At 31 August 2016 the total of the academy trust's future minimum lease payments was:

	2016 £	2015 £
Amount due within one year	13,386	7,821
Amounts due between one and five years	26,734	13,687
	<u>40,120</u>	<u>21,508</u>

19. Capital commitments

	2016 £	2015 £
Contracted for, but not provided for in the financial statements	-	269,971

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

20. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016	2015
	£	£
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	3,004,492	338,997
Depreciation	105,372	91,988
Donated assets	(3,006,913)	-
Pension liability transferred on conversion	380,000	-
Capital grants from DfE and other capital income	(283,866)	(382,114)
Interest receivable (note 4)	(1,409)	(340)
Defined benefit pension scheme cost less contributions payable (note 25)	26,000	20,000
Defined benefit pension finance cost (note 25)	12,000	12,000
Decrease/(increase) in stock	(1,120)	500
Decrease/(increase) in debtors	(119,804)	44,328
Increase/(decrease) in creditors	(233,185)	228,262
Net cash inflow/(outflow) from operating activities	(118,433)	353,621

21. Cash flows from investing activities

	2016	2015
	£	£
Dividends, interest and rents from investments	1,409	340
Purchase of tangible fixed assets	(283,065)	(387,682)
Capital grants form DfE/EFA	283,866	373,076
Capital funding received from sponsors and others	-	9,038
	2,210	(5,228)

22. 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.

23. Pension and similar obligations

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

The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS was 31 March 2013.

There were no outstanding or prepaid contributions at the end of the financial period.

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 benefits are paid by public funds provided by Parliament.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

23. Pension and similar obligations (continued)

Teachers' Pension Scheme

Introduction

The 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.

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 H M 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) Direction 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);
- 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; and
- 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 pension costs paid to TPS in the period amounted to £114,927 (2015: £94,404).

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

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.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

23. Pension and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £78,000, of which employer's contributions totalled £61,000 and employees' contributions totalled £17,000. The agreed contribution rates for future periods are 19.8% for employers and employees contributions are dependent on the level of their full-time equivalent salary ranging from 5.5% to 10%.

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

	At 31 August 2016 % pa	At 31 August 2015 % pa
Rate of increase in salaries	4.1	4.5
Rate of increase for pensions in payment/inflations	2.3	2.7
Discount rate for scheme liabilities	2.2	4.0
Inflation assumption (CPI)	2.3	2.7

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.9	22.8
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	27.7	27.6

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

23. Pension and similar obligations (continued)

The Academy Trust's share of the assets were:

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	381,000	286,000
Gilts	5,000	4,000
Other bonds	60,000	46,000
Property	79,000	56,000
Target return portfolio	25,000	18,000
Other	14,000	11,000
Total market value of assets	564,000	421,000
Present value of defined benefit obligations	(1,279,000)	(752,000)
Net deficit on conversion of Barming Primary School	(380,000)	-
Deficit in the scheme	(1,095,000)	(331,000)

The actual return on the scheme assets in the period was £65,000 (2015 : £9,000).

Amounts recognised in the statement of financial activities

	2016 £	2015 £
Current service cost (net of employee contributions)	87,000	73,000
Net interest cost	12,000	12,000
Total operating charge	99,000	85,000

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

23. Pension and similar obligations (continued)

Movements in the present value of defined benefit obligations of Allington Primary School only were as follows:

	2016	2015
	£	£
At 1 September 2015	752,000	636,000
Current service cost	87,000	73,000
Interest cost	30,000	27,000
Employee contributions	17,000	15,000
Actuarial losses/(gains)	393,000	1,000
At 31 August 2016	<u>1,279,000</u>	<u>752,000</u>

Movements in fair value of Allington Primary School only share of scheme assets:

	2016	2015
	£	£
At 1 September 2015	421,000	344,000
Interest on assets	18,000	15,000
Actuarial (losses)/gains	47,000	(6,000)
Employer contributions	61,000	53,000
Employee contributions	17,000	15,000
At 31 August 2016	<u>564,000</u>	<u>421,000</u>

24. Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Educational Funding Agency the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to:

- the value at that time of the Academy's site and premises and other assets held for the purposes of the Academy;
- the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

25. Related party transactions

Owing to the nature of the Academy Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, it can be inevitable that transactions will take place with organisations in which a member of the Board of Trustees may have an interest. All transactions involving such organisations should be conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

Apart from salaries paid to Staff Trustees, no related party transactions took place in the period of account.

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

26. Conversion to an academy

On 1 July 2016 the Barming Primary School converted to Academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Orchard Academy Trust from the Kent Local Authority for £Nil consideration.

The transfer has been accounted for as a contribution that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion		
Barming Primary School	Kent	1 July 2016		
Net assets transferred:				2016
				£
Leasehold land and buildings				3,006,913
Cash				185,449
Pension liability				(380,000)
				<u>2,812,392</u>
				<u>2,812,392</u>
		Unrestricted	Restricted funds	
		Funds	General	Fixed asset
		£	£	£
				Total
				Funds
				£
Funds surplus/(deficit) transferred:				
Fixed assets funds		-	-	3,006,913
Other funds		164,406	(358,927)	-
		<u>164,406</u>	<u>(358,927)</u>	<u>3,006,913</u>
		<u>164,406</u>	<u>(358,927)</u>	<u>3,006,913</u>
		<u>164,406</u>	<u>(358,927)</u>	<u>3,006,913</u>
		<u>164,406</u>	<u>(358,927)</u>	<u>3,006,913</u>
		<u>164,406</u>	<u>(358,927)</u>	<u>3,006,913</u>

ORCHARD ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 AUGUST 2016

27. Reconciliation on adoption of FRS 102

	Notes	1 September 2014	31 August 2015
Current total under previous UK GAAP and under FRS 102		<u>3,405,647</u>	<u>3,737,644</u>

Reconciliation of net income/(expenditure)

	Notes		31 August 2015
Net income previously reported under UK GAAP			346,997
Change in recognition of LGPS interest cost	(i)		<u>(8,000)</u>
Net movement in funds reported under FRS 102			<u>(338,997)</u>

i) Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £8,000 and reduce the debit in other recognised gains and losses in the SoFA by an equivalent amount.