

REGISTERED COMPANY NUMBER: 07578861 (England and Wales)

Report of the Governors and  
Consolidated Financial Statements for the Year Ended  
31 August 2019  
for  
Herefordshire Marches Federation of  
Academies

Thorne Widgey Accountancy Ltd  
Chartered Accountants  
Statutory Auditors  
2 Wyevale Business Park  
Kings Acre  
Hereford  
Herefordshire  
HR4 7BS

Herefordshire Marches Federation of  
Academies

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for the Year Ended 31 August 2019

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Herefordshire Marches Federation of Academies

Reference and Administrative Details for the Year Ended 31 August 2019

**MEMBERS**

D A Greenough  
S K F Elwine  
E Klein (appointed 8.5.19)  
R North  
A Harvey (resigned 6.12.18)  
L Conod

**TRUSTEES**

P Box (Accounting Officer)  
R North (Chair of Directors)  
E Klein (resigned 8.5.19)  
S K F Elwine  
S C Pugh (appointed 10.10.18) (resigned 3.4.19)  
H W G Patterson  
S C Reade (resigned 1.1.19)  
M A Williams  
R R Woodcock  
M Ashcroft (appointed 11.7.19)

**LOCAL ADVISORY BOARD**

# - also Member or Trustees of the Academy

**Lord Scudamore Academy**

A Blackburne  
J M McColl  
K E Higgins  
L Conod #  
P Rusher  
R Rider  
R North # (Chair)  
S Morris-Davies  
S Reade #  
Z Beecham

**Sutton Primary Academy**

L Orton  
S Bryce  
Z Beecham  
M Ashcroft (appointed 22.11.18) # (Chair)  
W Scott-Howes (appointed 22.11.18)

**Kings Caple Primary Academy**

A Harvey # (resigned 6.12.18)  
A Stather-Hooper  
S Elwine # (Chair)  
S Hook  
S Watkins (resigned 28.4.19)  
C Wardle  
D Harding  
S Talboys (appointed 28.4.19) (resigned 31.8.19)  
J Gittens (appointed 4.9.19)

Herefordshire Marches Federation of Academies

Reference and Administrative Details for the Year Ended 31 August 2019

<b>SENIOR MANAGEMENT TEAM</b>	P Box - Headteacher A Colledge - Head of School / Yr. 3 - 4 Phase Leader C Benjamin Head of School / EYFS manager C Watkins - HMFA director of HR J Brace - Director of IT J M McColl - Director of Safeguarding L Orton - Head of school at Sutton N J Jones - Finance Director Z Beecham - Director of SEND A Cadien - Head of School / Yr. 5 - 6 Phase Leader H Field - Head of School / KS1 Phase Leader S Watkins - Head of School (resigned 28/04/2019) S Tallboys - Temporary Head of School (Summer 19 only)
<b>COMPANY NAME</b>	Hereford Marches Federation of Academies
<b>COMPANY SECRETARY</b>	C Watkins
<b>REGISTERED OFFICE</b>	Lord Scudamore Academy Friars Street Hereford Herefordshire HR4 0AS
<b>REGISTERED COMPANY NUMBER</b>	07578861 (England and Wales)
<b>SENIOR STATUTORY AUDITOR</b>	Mr Kevin Tong FCCA, ACA
<b>INDEPENDENT AUDITORS</b>	Thorne Widgey Accountancy Ltd Chartered Accountants Statutory Auditors 2 Wyevale Business Park Kings Acre Hereford Herefordshire HR4 7BS
<b>BANKERS</b>	HSBC 35 High Town Hereford HR1 2AQ  Santander 20/21 High Town Hereford HR1 2AB  Natwest 12 Broad Street Hereford HR4 9AH

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

The governors who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 August 2019. The governors have adopted the provisions of 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) (effective 1 January 2015) and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

**OBJECTIVES AND ACTIVITIES**

**Objectives and aims**

The principal object and activity of the Academy is to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on, managing and developing a school, offering a broad range of curriculum for pupils of different abilities.

The principal object and activity of the Charitable Company is the operation of Hereford Marches Federation of Academies to provide free education and care for pupils of different abilities between the ages of 3 and 11.

The aims of the Academy during the year ended 31 August 2019 are summarised below:

- to continue to raise the standard of educational attainment and achievement of all pupils.
- to provide a broad and balanced curriculum, including extra-curricular activities.
- to develop students as more effective learners.
- to develop the Academy sites so that it enables students to achieve their full potential.
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care.
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review.
- to provide value for money for the funds expended.
- to develop greater coherence, clarity and effectiveness in school systems.
- to comply with all appropriate statutory and curriculum requirements.
- to develop the Academy's capacity to manage change, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

At HMFA we aim to get the best for, and from, each child. We intend to enable each child to realise his or her full academic, creative and physical potential and to develop positive social and moral values. Our Academy is a community in which children, staff and parents should be part of a happy and caring environment.

**Objectives, Strategies and Activities**

- To maintain Outstanding provision at Kings Cuple and Sutton.
- To strive for Outstanding at Lord Scudamore and Sutton.
- To ensure the progress of all groups of pupils in our care remains high.
- To continue to develop our curriculum. To provide pupils with a broad and balanced curriculum and provide opportunities beyond the National Curriculum, including our relationship with the Courtyard Theatre and forest schools.
- To ensure the use of technology is integrated into our curriculum.

Key priorities for the year for core curriculum areas are contained in the Strategic Development Plans which are available from each school.

**Public benefit**

The Directors confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the Charity Commissioner's general guidance on public benefit in exercising their powers or duties.

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**ACHIEVEMENT AND PERFORMANCE**

**Charitable activities**

	<u>Kings Cople</u>	<u>Lord Scudamore</u>	<u>Sutton</u>
Pupil Achievement	Outstanding	Good	Outstanding
Quality of Teaching	Outstanding	Good	Outstanding
Behaviour and Safety	Outstanding	Good	Outstanding
Leadership and Management	Outstanding	Outstanding	Outstanding

All schools have taken part in shared Federation Olympics, dance and gymnastics events.

Pupils from Year 5 and Year 6 across the federation schools have taken part in residential trips to Bath and the Oaker Wood outdoor activity centre.

Federation Y6 pupils from all schools performed their show at the Courtyard Theatre.

Teachers have received training in Developing Reasoning in Mathematics, Talk4Writing and Talk4Reading as well as a wide variety of "responsibility specific" training.

Senior staff have been involved in managing the performance of staff and mentoring NQTs.

Progress results at the end of the academic year have been high across HMFA, with the vast majority of pupils making expected or more than expected progress.

The Early Years team have worked systematically across all schools to moderate assessment data, with all schools scoring above the County and national average. This is also the case with Year 1 phonics screening data, where all HMFA schools achieved significantly above previous National Average pass rates.

**Fundraising activities**

There were a wide range of charitable fundraising activities.

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**ACHIEVEMENT AND PERFORMANCE**

**Key performance indicators**

**Kings Cagle**

2019	EYFSP % GLD	Y1 Phonics % WA	KS1 attainment - % achieving at least expected standard		
			Reading	Writing	Maths
England Average	72	81.2	75	70	76
Kings Cagle Academy	86	83	100	67	83

2019	KS2 Attainment - % achieving at least expected standard				KS2 Progress		
	Reading	Writing	Maths	RWM	Reading	Writing	Maths
England Average	75	78	76	64	0.0	0.0	0.0
Kings Cagle Academy	50%	50%	50%	50%	+5.4	+4.6	+5.2

**Lord Scudamore**

2019	EYFSP % GLD	Y1 Phonics % WA	KS1 attainment - % achieving at least expected standard		
			Reading	Writing	Maths
England Average	72	81.2	75	70	76
Lord Scudamore Academy	79	96.3	90	81	90

2019	KS2 Attainment - % achieving at least expected standard				KS2 Progress		
	Reading	Writing	Maths	RWM	Reading	Writing	Maths
England Average	75	78	76	64	0.0	0.0	0.0
Lord Scudamore Academy	73%	81%	77%	66%	+0.4	+1.5	-0.4

**Sutton Academy**

2019	EYFSP % GLD	Y1 Phonics % WA	KS1 attainment - % achieving at least expected standard		
			Reading	Writing	Maths
England Average	72	81.2	75	70	76
Sutton Academy	71	89	86	86	86

2019	KS2 Attainment - % achieving at least expected standard				KS2 Progress		
	Reading	Writing	Maths	RWM	Reading	Writing	Maths
England Average	75	78	76	64	0.0	0.0	0.0
Sutton Academy	94%	72%	78%	63.8%	+5.5	-0.4	+0.3

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**FINANCIAL REVIEW**

**Financial position**

Majority of the Academy's income is obtained from the DfE via the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ended 31 August 2019 and the associated expenditure are shown as Restricted Funds in the Statement of Financial Activities.

The Academy also receives grants for fixed assets from the DfE and these are shown in the Statement of Financial Activities as restricted income in the Fixed Asset Fund. The Restricted Fixed Asset Fund balance is reduced by annual depreciation charges over the useful life of the assets concerned, as defined in the Academy's accounting policies.

At 31 August 2019 the net book value of fixed assets was £3,838,736 (2018: £3,836,856) and movements in tangible fixed assets are shown in the notes to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

During the year ended 31 August 2019, total expenditure of £3,092,804 (2018: £2,911,266) was covered by recurrent grant funding from the DfE. The excess of income over expenditure for the year (excluding restricted fixed asset and pension funds) was £22,623 (2018: £193,727)

The land and buildings for Lord Scudamore School were transferred to the Academy upon conversion in June 2011. Land and buildings for Sutton & Kings Cople Schools were transferred on a 125yr lease.

The ESFA provided a land and buildings valuation as at 31st August 2012 for the purposes of completing the WGA return. Lord Scudamore was valued at £1,926,648, Sutton at £1,513,964 and Kings Cople at £544,054.

The Academy has taken on the deficit in the Local Government Pension Scheme in respect of its non-teaching staff transferred on conversion. The deficit is incorporated within the Statement of Financial Activity with details in the notes to the financial statements.

Key financial policies adopted or reviewed during the year include the Finance Policy 2018 and the Financial Delegation Scheme 2018 which lay out the framework for financial management, including financial responsibilities of the Board, CEO, Accounting Officer, Finance staff and budget holders, as well as delegated authority for spending.

**Investment policy and objectives**

Due to the nature of funding, the Academy may at times hold cash balances surplus to its short term requirements. The Directors have authorised the opening of additional short term bank investment accounts to take advantage of higher interest rates. No other form of investment is authorised.

**Reserves policy**

The Directors 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 Directors take into consideration the future plans of the Academy, the uncertainty over future income streams and other key risks identified during the risk review. The Academy's current level of reserves (total funds less the amount held in fixed assets and restricted funds) is £421,911 (2018: £374,798), all of which is free reserves. The level of general restricted reserves is £128,332 (2018: £243,227).

**Going concern**

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

HMFA Board of Directors regularly review long term plans to ensure the future financial stability of the Trust. There are no concerns that the Trust will face any financial difficulties over the next 3 years.



Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**FUTURE DEVELOPMENTS**

**Core Purposes**

- Ensure that all children are protected from harm; both physically and emotionally.
- Provide the highest quality of education so that every child achieves their full potential, both academically as well as in artistic and sporting endeavour.
- Ensure that vulnerable and disadvantaged children receive the support they need to achieve their full potential.
- Ensure that children are equipped to cope with the pressures of life including effective management of social media.
- Enable children to make the best use of technology without allowing it to take over their lives.

**Key Priorities**

- Ensuring high quality teaching and learning
- Ensure that all teachers are using Basic Skills English and Maths, Talk4Writing, Talk4Reading and Developing Reasoning in Maths.
- Ensure that assessment is a dialogue between teacher and child which moves learning forward.
- Provide high quality intervention in the Early Years to address speech and language issues; particularly the deficit in vocabulary for disadvantaged children.
- To provide intervention and support for older children to minimize the vocabulary gap.

**Developing the creative curriculum**

- Ensure that every opportunity to further enhance the already very creative curriculum is taken.
- Review the current curriculum.

**Strengthen leadership**

- Ensure that all Senior Leaders have a good understanding of financial systems and are engaged in the setting of balanced budgets.
- Develop strategic awareness for Heads of School.
- Develop the work scrutiny cycle for Governors and Directors.

**Ensure clear accountability and highly effective communication**

- Ensure that Heads of School contribute to the Heads Report as the key accountability document for Governors and Directors.
- Ensure that progress data is available each term for all groups of children.
- Ensure that Senior Leaders meet regularly and that communication is effective between the leadership team and with all stakeholders.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The Academy Trust was incorporated on 25th March 2011 and opened as an Academy on 1st June 2011 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 Directors act as the Trustees for the charitable activities of Hereford Marches Federation of Academies and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as HMFA.

HMFA is a charitable company and is responsible for the strategic direction of the Academies within the HMFA MAT. It has 2 layers of governance: Members of the Trust and the Board of Directors.

Details of the Directors who served throughout the period, except as noted, are included in the Reference and Administration Details on page 1.

**Members' liability**

Each member of the Charitable Company undertakes to contribute to the assets of the Company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they cease to be a member.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Governors' Indemnities**

Directors benefit from indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Directors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Directors knew to be a breach of trust or breach of duty or which was committed by the Directors in reckless disregard to whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Directors in their capacity as Directors of the Academy Trust. The limit of this indemnity is £5million.

### **Principal activities**

The principal activity is to advance for the public benefit by maintaining, managing and developing primary schools offering a broad and balanced curriculum.

### **Recruitment and appointment of new trustees**

The Academy's Governing Body (Board of Directors) comprises the CEO, 3 Members, 2 Member/Directors and 4 Directors.

When appointing new Directors, consideration is given to the skills and experience mix of existing Directors in order to ensure that the Board has the necessary skills set to contribute fully to the Academy's development. The Board comprises of Directors elected by the Member Directors.

### **Organisational structure**

The Board of Directors meets once each term.

The Board establishes an overall framework for the governance of the Academy Trust and determines membership, terms of reference and procedures of Committees and other groups. It receives reports including policies from its Committees for ratification. It monitors the activities of the Committees through the minutes of their meetings. The Board may from time to time establish Working Groups to perform specific tasks over a limited timescale.

The HMFA Scheme of Delegation has been developed to clarify the responsibilities and powers of Members, Directors, CEO, Chairman and Local Advisory Boards in respect of key aspects of the management of the Trust and its Academies, and to ensure compliance with legal requirements.

The Members and Board of Directors have devolved responsibility for day to day management of the Academy to the CEO and Senior Leadership Team (SLT). The SLT comprises the CEO, Heads of School, Finance Director, HR Director and Company Secretary, Director of Safeguarding, Director of SEND, and Director of IT and DPO. The SLT implement the policies laid down by the Board of Directors and report back to them on performance. The aim of the leadership structure is to devolve responsibility and encourage involvement in decision making at all levels

The Academy Trust comprises three primary schools - Lord Scudamore, Sutton and Kings Caple. Each school has its own Local Advisory Body who accepts reports relating to their school, staff and pupils. Please refer to the MAT Scheme of Delegation for detail of key areas of responsibility.

CEO; Peter Box is the Accounting Officer.

The Directors of the subsidiary company HMFA Enterprises Ltd meet once a term. They review and approve the annual budget plan, policies, pricing structure and are responsible for day-to-day management. Strategic and staffing decisions are made in accordance with HMFA Scheme of Delegation.

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Induction and training of new trustees**

The training and induction provided for new Directors will depend upon their existing experience but would always include an invitation to tour the Academy and a chance to meet staff and pupils. All Directors are provided with an induction pack. Governor Quality Assurance days are held for Directors and Governors where they visit the schools and involves work scrutiny, talking to pupils, learning walks and observations.

Our annual review of Governance provides an opportunity for Directors to highlight any training requirements they feel would be of benefit to them. Governors and Directors are encouraged to register with Activate Central Ltd and enrol on relevant courses to support their role.

**Key management remuneration**

1. Performance pay review is completed by the HMFA pay review committee, comprising 4 elected Trustees and representatives from each academy school, mainly Chairs of Governors.
2. Performance Management in each school takes place on an annual cycle of review. It is undertaken by the senior leaders, Deputy Head teachers and Head teacher.
3. Targets are related to current school key areas as well as individual targets and are linked to the new teacher standards.
4. Staff underperforming are given clear agreed targets with appropriate timescale for review, and a mentor from the leadership team.

**Trade Union Facility Time**

This information is published in accordance with the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017 because the academy trust had a full-time equivalent number of staff of more than 49 throughout the entirety of any seven months within the accounting period.

The multi-academy trust has an SLA to cover trade union services.

**Related parties**

The Academy has wider federation links with 6 other primary schools; Canon Pyon CE Academy, Llangrove CE Academy, St Weonards Primary School, Marden Primary Academy, Pencombe CofE Primary School and Clehonger CofE Primary School.

HMFA MAT CEO Peter Box is Executive Headteacher at Canon Pyon CE Academy, Llangrove CE Academy and Clehonger CofE Primary School via a Service Level Agreement. Through the HMFA collaboration agreement all schools benefit from the use of shared expertise, staffing, resources and group purchasing discounts.

Related Party transactions are disclosed to ESFA via DfE Sign-In portal and where applicable requests for approval are submitted. During 18/19 these regulations did not apply to income transactions.

Related Party Relationships have been recorded on a Register of Director's Declarations of Interest and any additional declarations noted at the start of each Board of Directors Meeting. The following companies have been identified as having a Related Party Relationship with HMFA; Activate Educational Ltd, Canon Pyon CE Academy, Llangrove CE Academy, Marden Primary Academy, St Weonards Primary School, Clehonger CofE Primary School, Pencombe C of E Primary School and HMFA Enterprises Ltd.

**EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the financial statements.

**FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Directors have assessed the major risks to which the Academy is exposed, in particular those relating to its finances, teaching, facilities and other operational areas through the Risk Register, reviewed July 2018 (a working document). The Directors have implemented a number of systems to assess and minimise those risks, including internal controls described elsewhere. Where significant financial risk still remains they have ensured they have adequate insurance cover.

Lord Scudamore pupil numbers are declining due to demographic factors and the birth rates in 2014 and 2015. It is also important to remember that the real terms freeze on Government's overall education budget, changes in funding arrangements for special educational needs and increasing employment and premises costs mean that budgets will be increasingly tight in coming years.

The reduction in funding will be managed by restructuring leadership across the HMFA.

The Directors examine the financial health formally every term, reviewing performance against budgets and overall expenditure by means of regular update reports at all full Directors' and Finance Committee meetings.

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

**FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

At the year end, the Academy had no significant liabilities arising from trade creditors or debtors where there would be a significant effect on liquidity.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties facing the Academy are as follows:

Financial - the Academy has considerable reliance on continued Government funding through the ESFA. In the last year 85% of the Academy's incoming resources was ultimately Government funded and whilst this level is expected to continue, there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms

Financial - HMFA Board of Directors recognises that the defined benefit scheme deficit (Local Government Pension Scheme), which is set out in the notes to the financial statements, represents a significant potential liability. Due to the deficit position of the LGPS valuation August 2016, the Academy faces concerns about the cost of future lump sum deficit contributions which may be imposed.

At this point in time the Academy is able to meet the set LGPS annual contributions; however the Board are aware there will be revisions of Employer rates in the future. The Board has relevant skill set to inform Directors of policy and impact of the LGPS.

Failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Academy's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Directors continue to review and ensure that appropriate measures are in place to mitigate these risks

Reputational - the continuing success of the Academy is dependent on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Directors ensure that student success and achievement are closely monitored and reviewed.

Safeguarding and child protection - the Directors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline. Relevant staff receive safer recruitment training and all staff receive relevant safeguarding training, including Prevent, and are issued with relevant documents.

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

The MAT follows the STPCD and local policy guidelines. Any significant government legislative changes to teachers pay and conditions will therefore have an impact.

Fraud and mismanagement of funds - The Academy has appointed an Internal Auditor to carry out checks on financial systems and records as required by the Academy Financial Handbook. Internal control procedures are in place to minimise risks of fraud.

**AUDITORS**

In so far as the Directors are aware:

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

The auditors, Thorne Widgery Accountants, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

Herefordshire Marches Federation of Academies

Report of the Governors  
for the Year Ended 31 August 2019

Directors Report, incorporating a strategic report, was approved by order of the members of the Board of Directors on  
.....4/12/19..... and signed on the boards behalf by:

  
.....  
R North - Chair of Directors

Herefordshire Marches Federation of Academies

Governance Statement  
for the Year Ended 31 August 2019

**Scope of Responsibility**

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

The Trust has delegated the day-to-day responsibility to the CEO /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 HMFA and the Secretary of State for Education. They are also responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Report of the Governors and in the Governors Responsibility Statement. The board of governors has formally met 3 times during the year. Attendance during the year at meetings of the board of governors was as follows:

Governor	Meetings attended	Out of a possible	
		Meetings Attended	Out of a possible
<b>Directors</b>			
Prebendary R North (member & director)	Chair	2	3
P Box	CEO/Accounting Officer	3	3
D Greenough (member)		3	3
A Harvey (member)	(Resigned 6.12.18)	1	1
S Elwine (member & director)		3	3
E Klein		1	3
L Conod (member)		2	3
S Reade	(Resigned 6.12.18)	1	1
H Patterson		3	3
M Ascroft	(Appointed 11.7.19)	2	2
R Woodcock		1	3
M Williams		3	3
S Pugh	(Resigned 3.4.19)	-	1

In addition to this, the local Governors of the individual schools meet termly.

**Review of Governance 2018-2019**

At the AGM in April Members were made aware that, despite having previously been advised that we needed to update our Articles of Association before the DfE would give consideration to the application to bring the Sutton Nursery under the HMFA, this was actually not the case. Having discussed this at length with our Solicitors it appears that we were misinformed.

After due consideration Members voted to stay with our current HMFA Articles of Association.

We will continue to be mindful of DfE recommendation with regard to the constitution of Academy Board of Trustees. Following the resignation of one of the HMFA Members, Adrian Harvey, Members elected Eric Klein to maintain the recommended 5 Members.

Members were issued with NGA Guidance to support them in their role and update them on changes within the Governance Handbook and Academy Financial Handbook.

The HMFA Board continue to access the Activate Governance Briefings and CPD program available to them.

**Finance Committee** - meets once a term and is responsible for monitoring, evaluating and reviewing policy and performance in relation to financial management, compliance with regulatory requirements and reporting, and examining the annual budget.

Herefordshire Marches Federation of Academies

Governance Statement  
for the Year Ended 31 August 2019

As there is no need for a separate audit committee the terms of reference of the Finance committee also include responsibility for; reviewing the risks to internal financial controls, reviewing the Risk Register annually, reviewing internal audit reports.

During the year the committee reviewed new options for Internal Auditor Service, providing a new Financial Services SLA to an associate member of the Trust, Central Staff Services costs proposal to the wider federation schools. In addition to reviewing the draft annual accounts, proposed budget plans, long-term finance projections and reserves forecasts.

Attendance at meetings in the year was as follows:

		Meetings Attended	Out of a possible
<b>Governor</b>			
Prebendary R North		3	3
P Box	CEO/Accounting Officer	3	3
D Greenough (member)		3	3
S Elwine		2	3
A Harvey (member)	(Resigned 6.12.18)	1	1
S Reade	(Resigned 6.12.18)	1	1
R Woodcock		2	3
N Jones	Finance Directors	1	3

NB Adrian Harvey & David Greenough as Member Directors do not sit on the Finance Committee as elected members however they have been attending finance committee meetings for many years in their previous governance roles within the organisation and therefore continue to attend these meetings on invitation.

**Pay Review Committee** - meets at least annually to perform all staff salary review, agree salary scales, awards & honorarium payments, review HMFA Pay Policy,

Attendance at meetings in the year was as follows:

<b>Committee Member</b>		Meetings Attended	Out of a possible
Prebendary R North		1	1
P Box	CEO/Accounting Officer	1	1
Sarah Elwine		1	1
Hugh Patterson		1	1

**Review of Value for Money**

As accounting officer, the CEO; Peter Box 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's 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 Directors where value for money can be improved, including the use of benchmarking data where available. The academy trust has delivered improved value for money during the year by:

Central Staff Services During

During the course of the year HMFA trustees reviewed the income from associate members against the proposals outlined in 17/18. The trust needs to ensure value for money, as well as considering compliance and improving standards in its schools. The Directors evaluated financial risk to each school/academy and took into consideration that some schools/academies within the group are under more significant financial pressure than others, however there is an expectation that larger contributions will be received in future years.

Staffing Review

HMFA undertook an annual review of Educational Support Staff hours taking into consideration flexibility within existing staff contracts, terms of employment and pupil's needs in order to ascertain whether current staffing levels were suitable and affordable. HMFA recognise that staffing costs contribute to 80% of total expenditure so this is monitored and benchmarking exercises completed to ensure within appropriate levels. HMFA continue to cover staff absence where possible from within existing contracted hours which has led to significant savings.

Herefordshire Marches Federation of Academies

Governance Statement  
for the Year Ended 31 August 2019

**Review of Value for Money**

Catering Review

Despite Lord Scudamore Academy negotiating a competitive renewal contract with their existing catering provider, notice was given to terminate the contract as at Feb 2019. Since a tender exercise had been conducted only months before it was clear there were no alternative providers able to supply & deliver 300+ hot meals daily as no on-site kitchen facilities available. The BOD reviewed a business plan which involved setting up a new catering company through the trading company; HMFA Enterprises Ltd. It was decided to make a capital investment to refurbish the kitchen at St Weonards Primary School who are an associate member of HMFA. Other schools in the wider federation would also benefit from a new meal provider which would be focused on high quality meals. HMFA are hopeful that this will generate income for the trust.

MIS Database Review

HMFA federation of schools invited companies to demonstrate their Management Information Systems & provide quotations. HMFA were seeking an alternative database to potentially save money and offer a broader capability as well as being user friendly. The collective decision was made to move to Scholarpack and most schools were able to save around 40% of costs.

Benchmarking

HMFA regularly undertake various benchmarking exercises using DfE toolkits in order to evaluate the financial efficiency of the trust, its use of funding, pupil's attainment and the money used to achieve it. Comparative trusts are selected to provide further context. HMFA Trust regularly consider/review opportunities to self-generate income.

Procurement

Good Practice On-going scrutiny of quotes and pricing by the Finance department, ensuring best value is obtained at all times by sourcing and suggesting alternative suppliers and alternative products where necessary, securing discounts and group purchasing reductions. Utilising consortiums where possible to secure best price.

Bulk Discount Purchasing

For consecutive years we secured discounts with our high value suppliers; Staffing/HR/Payroll SLA's and Stationary providers - we estimate this to have saved over £10,000 year on year.

**DfE School Efficiency Metric**

Results demonstrate that our schools are effectively using its funding to improve pupil's progress compared to other similar schools.

Out of 10 rankings are as follows:

Lord Scudamore - 2, Sutton - 2, Kings Caple - 4

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of charitable company 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 Herefordshire Marches Federation of Academies for the period 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

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

**The Risk and Control Framework**

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



Herefordshire Marches Federation of Academies

Governance Statement  
for the Year Ended 31 August 2019

**The Risk and Control Framework**

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

The Board of Directors has considered the need for a specific internal audit function and has decided to appoint a non-employed trustee who is suitably qualified and experienced to review the trust's internal control processes and systems. They are not paid by the trust for their work.

During the course of the year two visits were conducted and included checks such as:

- Review of financial systems and internal controls
- Proper use of public funds
- KPI's
- Central service re-charges
- New AFH requirements & compliance
- Scrutiny by exception
- Consolidated MAT management accounts
- Trading company system and processes

The findings were reported to the Board of Directors. No matters of significance were identified.

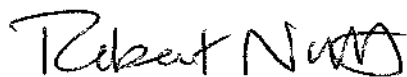
**Review of Effectiveness**

As Accounting Officer, the Headteacher/CEO has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the appointed trustee through independent challenge;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the Academy Finance Director who has 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 Audit and Finance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on ..... 4/12/19 ..... and signed on its behalf by:



.....  
R North - Chair of Directors



.....  
Peter Box - Accounting Officer

Herefordshire Marches Federation of Academies

Statement on Regularity, Propriety and Compliance for the Year Ended 31 August 2019

As accounting officer of Herefordshire Marches Federation of Academies I have considered my responsibility to notify the charitable company board of governors and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the charitable company, under the funding agreement in place between the charitable company and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the charitable company board of governors are able to identify any material irregular or improper use of all funds by the charitable company, or material non-compliance with the terms and conditions of funding under the charitable company's funding agreement and the Academies Financial Handbook 2018.

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



.....  
Peter Box - Accounting Officer

Date: 4/12/19.....

Herefordshire Marches Federation of Academies

Governors Responsibility Statement for the Year Ended 31 August 2019

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

In so far as the governors are aware:

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

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

Directors Report, incorporating a strategic report, was approved by order of the members of the Board of Directors on 4/12/19 and signed on the boards behalf by:

  
.....  
R North - Chair of Directors

Report of the Independent Auditors to the Members of  
Herefordshire Marches Federation of  
Academies

**Opinion**

We have audited the financial statements of Herefordshire Marches Federation of Academies (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 August 2019 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2018 to 2019 issued by the Education and Skills Funding Agency (ESFA).

In our opinion the financial statements:

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

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

The governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Report of the Governors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Governors has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

Report of the Independent Auditors to the Members of  
Herefordshire Marches Federation of  
Academies

**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 governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the governors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Governors.

**Responsibilities of governors**

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

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

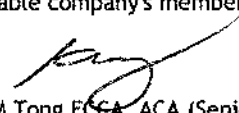
**Our responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Independent Auditors.

**Use of our report**

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

  
Mr Kevin M Tong FCCA, ACA (Senior Statutory Auditor)  
for and on behalf of Thorne Widgery Accountancy Ltd  
Chartered Accountants  
Statutory Auditors  
2 Wyevale Business Park  
Kings Acre  
Hereford  
Herefordshire  
HR4 7BS

Date: ..... 9/12/19 .....

**Note:**

The maintenance and integrity of the Herefordshire Marches Federation of Academies website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Independent Reporting Accountant's Assurance Report on Regularity to  
Herefordshire Marches Federation of  
Academies and the Education and Skills Funding Agency

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

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

**Respective responsibilities of Herefordshire Marches Federation of Academies' accounting officer and the reporting accountant**

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

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

**Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions includes:

- detailed testing of a sample of items of income and expenditure to ensure appropriately applied for the purposes intended
- specific testing, on a sample basis, of system controls relevant to the above
- a general review of correspondence with the appropriate authorities regarding Academy governance matters during the year
- a general review and discussion of the Academy's internal procedures for establishing and maintaining systems of control and documentation regarding these matters

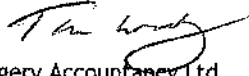
This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Without qualifying our opinion, we would like to refer to the related and connected party transactions highlighted in note 23 in the attached accounts.

Independent Reporting Accountant's Assurance Report on Regularity to  
Herefordshire Marches Federation of  
Academies and the Education and Skills Funding Agency

**Conclusion**

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



Thorne Widgey Accountancy Ltd  
Chartered Accountants  
2 Wyevale Business Park  
Kings Acre  
Hereford  
Herefordshire  
HR4 7BS

Date: ..... 9/12/19 .....

Herefordshire Marches Federation of Academies

Consolidated Statement of Financial Activities  
(Incorporating an Income and Expenditure Account)  
for the Year Ended 31 August 2019

				31.8.19	31.8.18	
	Notes	General Fund £	Restricted Fixed Assets Fund £	Restricted General Fund £	Total funds £	Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>						
Donations and capital grants	2	-	112,336	107,836	220,172	129,365
<b>Charitable activities</b>						
Funding for the academy's educational operations	3	-	-	3,762,420	3,762,420	3,676,224
Other trading activities	4	<u>447,460</u>	<u>-</u>	<u>7,035</u>	<u>454,495</u>	<u>339,389</u>
<b>Total</b>		<b>447,460</b>	<b>112,336</b>	<b>3,877,291</b>	<b>4,437,087</b>	<b>4,144,978</b>
<b>EXPENDITURE ON</b>						
Raising funds		225,135	-	-	225,135	128,059
<b>Charitable activities</b>						
Academy's educational operations	6,7	<u>175,758</u>	<u>215,597</u>	<u>4,063,235</u>	<u>4,454,590</u>	<u>4,145,432</u>
		400,893	215,597	4,063,235	4,679,725	4,273,491
<b>NET INCOME/(EXPENDITURE)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(242,638)</b>	<b>(128,513)</b>
Transfers between funds	20	<u>-</u>	<u>90,951</u>	<u>(90,951)</u>	<u>-</u>	<u>-</u>
<b>Other recognised gains/(losses)</b>						
Actuarial gains/losses on defined benefit schemes		<u>-</u>	<u>-</u>	<u>(825,000)</u>	<u>(825,000)</u>	<u>319,000</u>
Net movement in funds		46,567	(12,310)	(1,101,895)	(1,067,638)	190,487
<b>RECONCILIATION OF FUNDS</b>						
Total funds brought forward		<u>376,311</u>	<u>3,836,331</u>	<u>(989,773)</u>	<u>3,222,869</u>	<u>3,032,382</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b><u>422,878</u></b>	<b><u>3,824,021</u></b>	<b><u>(2,091,668)</u></b>	<b><u>2,155,231</u></b>	<b><u>3,222,869</u></b>



Herefordshire Marches Federation of  
Academies (Registered number: 07578861)

Consolidated Balance Sheet  
At 31 August 2019

	Notes	31.8.19 £	31.8.18 £
<b>FIXED ASSETS</b>			
Tangible assets	13	3,838,736	3,836,856
Investments	14	-	-
		<u>3,838,736</u>	<u>3,836,856</u>
<b>CURRENT ASSETS</b>			
Stock		795	-
Debtors	15	88,924	94,929
Cash at bank and in hand		<u>786,600</u>	<u>778,198</u>
		876,319	873,127
<b>CREDITORS</b>			
Amounts falling due within one year	16	(339,824)	(254,114)
		<u>536,495</u>	<u>619,013</u>
<b>NET CURRENT ASSETS</b>			
		<u>4,375,231</u>	<u>4,455,869</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>PENSION LIABILITY</b>	21	(2,220,000)	(1,233,000)
		<u>2,155,231</u>	<u>3,222,869</u>
<b>NET ASSETS</b>			
<b>FUNDS</b>	20		
Unrestricted funds:			
General fund		422,878	376,311
Restricted funds:			
General Annual Grant		27,846	167,586
Other DfE/YPLA Grants		51,970	22,069
Other restricted		48,516	53,572
Restricted Pension Reserve		(2,220,000)	(1,233,000)
DfE/YPLA capital grants		156,669	113,992
Fixed Assets on Conversion		3,545,329	3,608,092
Fixed Assets funded by GAG		69,716	15,050
Fixed Assets funded by local authority		<u>52,307</u>	<u>99,197</u>
		<u>1,732,353</u>	<u>2,846,558</u>
<b>TOTAL FUNDS</b>		<u>2,155,231</u>	<u>3,222,869</u>

The financial statements were approved by the Board of Governors on 6/12/19 and were signed on its behalf by:



R North -Chair of Directors

Herefordshire Marches Federation of  
Academies (Registered number: 07578861)

Balance Sheet  
At 31 August 2019

	Notes	31.8.19 £	31.8.18 £
<b>FIXED ASSETS</b>			
Tangible assets	13	3,837,769	3,835,343
Investments	14	<u>1</u>	<u>1</u>
		3,837,770	3,835,344
 <b>CURRENT ASSETS</b>			
Debtors	15	104,210	140,174
Cash at bank and in hand		<u>738,504</u>	<u>715,549</u>
		842,714	855,723
 <b>CREDITORS</b>			
Amounts falling due within one year	16	(305,645)	(236,080)
		<u>537,069</u>	<u>619,643</u>
 <b>NET CURRENT ASSETS</b>			
		<u>537,069</u>	<u>619,643</u>
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		4,374,839	4,454,987
 <b>PENSION LIABILITY</b>	21	(2,220,000)	(1,233,000)
		<u>2,154,839</u>	<u>3,221,987</u>
 <b>NET ASSETS</b>			
		<u>2,154,839</u>	<u>3,221,987</u>
 <b>FUNDS</b>	20		
Unrestricted funds:			
General fund		422,486	375,429
Restricted funds:			
General Annual Grant		27,846	167,586
Other DfE/YPLA Grants		51,970	22,069
Other restricted		48,516	53,572
Restricted Pension Reserve		(2,220,000)	(1,233,000)
DfE/YPLA capital grants		156,669	113,992
Fixed Assets on Conversion		3,545,329	3,608,092
Fixed Assets funded by GAG		69,716	15,050
Fixed Assets funded by local authority		52,307	99,197
		<u>1,732,353</u>	<u>2,846,558</u>
 <b>TOTAL FUNDS</b>		<u>2,154,839</u>	<u>3,221,987</u>

The financial statements were approved by the Board of Governors on 4/12/19 and were signed on its behalf by:

  
R North -Chair of Directors

Herefordshire Marches Federation of Academies

Consolidated Cash Flow Statement  
for the Year Ended 31 August 2019

	Notes	31.8.19 £	31.8.18 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	1	103,745	167,265
Interest paid		<u>(952)</u>	<u>(844)</u>
<b>Net cash provided by (used in) operating activities</b>		<u>102,793</u>	<u>166,421</u>
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(206,727)	(123,378)
Capital grants from DfE/ESFA		<u>112,336</u>	<u>26,470</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(94,391)</u>	<u>(96,908)</u>
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		8,402	69,513
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u>778,198</u>	<u>708,685</u>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u>786,600</u>	<u>778,198</u>

Herefordshire Marches Federation of Academies

Notes to the Cash Flow Statement  
for the Year Ended 31 August 2019

1. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	31.8.19	31.8.18
	£	£
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(242,638)	(128,513)
Adjustments for:		
Depreciation	203,341	203,453
Capital grants from DfE/ESFA	(112,336)	(26,470)
Loss on disposal of fixed assets	1,506	-
Interest paid	952	844
Decrease/(increase) in stock	(795)	-
Decrease/(increase) in debtors	6,005	12,134
Increase/(decrease) in creditors	85,710	(21,183)
Difference between pension charge and cash contributions	<u>162,000</u>	<u>127,000</u>
Net cash provided by (used in) operating activities	<u>103,745</u>	<u>167,265</u>

## 1. ACCOUNTING POLICIES

### **Basis of preparing the financial statements**

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) '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) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Academies Accounts Direction 2018 to 2019 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

Herefordshire Marches Federation of Academies meets the definition of a public benefit entity under FRS 102.

### **Group Financial Statements**

The results of Herefordshire Marches Federation of Academies and its wholly owned subsidiary HMFA Enterprises Ltd have been consolidated and group accounts have been presented. All transactions between the Academy and its subsidiary have been eliminated on consolidation. A separate statement of financial activities and income and expenditure account for the Charity itself are not presented because the Academy has taken advantage of the exemptions afforded by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

### **Going concern**

The governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. The Governors make this assessment in respect of a period of one year from the date of approval 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.

### **Critical accounting estimates and areas of judgement**

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

### **Critical accounting estimates and assumptions**

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

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

### **Income**

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

**1. ACCOUNTING POLICIES - continued**

**Grants**

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

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

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

**Sponsorship income**

Sponsorship income provided to the charity which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and can be measured reliably.

**Donations**

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

**Other income**

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

**Donated goods, facilities and services**

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

**Expenditure**

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

**Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

1. **ACCOUNTING POLICIES - continued**

**Tangible fixed assets**

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Long Leasehold Property	-	2% Straight line
Motor Vehicles	-	20% Straight line
Fixtures and Fittings	-	20% Straight line
Computer Equipment	-	33.3% Straight line
Motor vehicles	-	20% Straight line

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Long leasehold land and buildings are subject to a 125 year lease with the local authority. Land and buildings were valued by the ESFA on conversion to academy status. Depreciation on the buildings element is included within expenditure in the SOFA in accordance with the above policies.

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

**Liabilities**

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

**Provisions**

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

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**Leased Assets**

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

**Investments**

The academy's shareholding in the wholly owned subsidiary, HMFA Enterprises Limited, is included in the balance sheet at the cost of the share capital owned less any impairment. There is no readily available market value and the cost of valuation exceeds the benefit derived.

**1. ACCOUNTING POLICIES - continued**

**Financial instruments**

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in the notes to the accounts. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in the notes to the accounts. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

**Taxation**

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

Accordingly, the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3, Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Fund accounting**

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

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

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



**1. ACCOUNTING POLICIES - continued**

**Pension costs and other post-retirement benefits**

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

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

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

The annual valuation at 31 August 2019 has taken into account the effects of the McCloud judgement.

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

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

**2. DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds £	Restricted funds £	31.8.19 Total funds £	31.8.18 Total funds £
Donations	-	19,990	19,990	14,745
Grants	-	112,336	112,336	26,471
School Trips	-	87,846	87,846	88,149
	-	220,172	220,172	129,365

The comparatives include unrestricted funds of £540, restricted fixed asset funds of £26,470 and restricted funds of £102,355 giving a total of £129,365.

Grants received, included in the above, are as follows:

	31.8.19 £	31.8.18 £
Capital Grants	<u>112,336</u>	<u>26,471</u>

**3. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds £	Restricted funds £	31.8.19 Total funds £	31.8.18 Total funds £
<b>DfE/ESFA revenue grant</b>				
General Annual Grant(GAG)	-	3,044,013	3,044,013	2,982,782
Other DfE/YPLA Grants	-	676,496	676,496	634,341
	-	3,720,509	3,720,509	3,617,123
<b>Other government grant</b>				
Other Government Grants	-	41,911	41,911	59,101
	-	3,762,420	3,762,420	3,676,224

All amounts included in the comparative related to general restricted funds.

	Unrestricted Funds £	Restricted Funds £	31.8.19 Total Funds £	31.8.18 Total Funds £
Education	-	3,527,359	3,527,359	3,438,555
Nursery	-	235,061	235,061	237,669
	-	3,762,420	3,762,420	3,676,224

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds £	Restricted funds £	31.8.19 Total funds £	31.8.18 Total funds £
Lettings	-	-	-	12
Recharges of staff to other organisations	116,566	-	116,566	75,805
Catering income	12,083	2,060	14,143	15,063
Nursery fee income	44,797	-	44,797	36,113
Other	80,853	4,975	85,828	36,440
HMFA Enterprises Ltd	<u>193,161</u>	<u>-</u>	<u>193,161</u>	<u>175,956</u>
	<u>447,460</u>	<u>7,035</u>	<u>454,495</u>	<u>339,389</u>

All amounts in the prior year related to unrestricted funds.

**5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY**

The academy has a wholly owned trading subsidiary, which is incorporated in the United Kingdom. The principal activity of HMFA Enterprises is the provision of catering and outside school care and activities.

The company covenants its taxable profits to Herefordshire Marches Federation of Academies (HMFA). A summary of trading results is shown below. Audited accounts are filed with the Registrar of Companies. This summary includes transactions with HMFA which have been eliminated on consolidation.

	£	31.8.19 £	£	31.8.18 £
<b>Turnover</b>				
Sales and services - External	193,161		182,274	
Sales and services - Internal	<u>49,411</u>		<u>-</u>	
		242,572		182,274
<b>Cost of Sales</b>				
Cost of goods sold - External	(2,057)		(18,794)	
Cost of goods sold - Internal	<u>-</u>		<u>-</u>	
		<u>(2,057)</u>		<u>(18,794)</u>
<b>Gross Profit</b>		240,515		163,480
<b>Administrative expenses</b>				
Administrative expenses - External	(223,078)		(109,265)	
Administrative expenses - Internal	<u>(6,808)</u>		<u>(13,175)</u>	
		(229,886)		(122,440)
<b>Other income</b>				
Other income - External	<u>-</u>		<u>2,857</u>	
		<u>-</u>		<u>2,857</u>
<b>Net profit / (loss) for the year</b>		10,629		43,897
Transfer to Hereford Marches Federation of Academies		(11,119)		(45,533)
<b>Retained profit in Subsidiary b/fwd.</b>		882		2,519
<b>Movement</b>		<u>(490)</u>		<u>(1,636)</u>
<b>Retained profit in Subsidiary c/fwd.</b>		<u>392</u>		<u>882</u>
<b>Net assets held in Subsidiary</b>		<u>393</u>		<u>883</u>

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

6. EXPENDITURE

		Non-pay expenditure		31.8.19	31.8.18
	Staff costs	Premises	Other costs	Total	Total
	£	£	£	£	£
<b>Raising Funds</b>					
HMFA Enterprises	142,438	8,626	74,071	225,135	128,059
Charitable activities					
Academies educational operations					
Direct costs	2,706,112	63,043	642,932	3,412,087	3,131,113
Allocated support costs	<u>614,457</u>	<u>194,697</u>	<u>233,349</u>	<u>1,042,503</u>	<u>1,014,319</u>
	<u>3,463,007</u>	<u>266,366</u>	<u>950,352</u>	<u>4,679,725</u>	<u>4,273,491</u>

Group net income/ (expenditure) is stated after charging/ (crediting):

	31.8.19	31.8.18
	£	£
Auditors' remuneration	17,939	15,326
Depreciation - owned assets	203,341	203,453
Deficit on disposal of fixed asset	1,506	-
Operating leases	<u>28,298</u>	<u>33,755</u>

Net income/ (expenditure) is stated after charging/ (crediting):

	31.8.19	31.8.18
	£	£
Auditors' remuneration	13,100	12,710
Depreciation - owned assets	202,191	201,332
Deficit on disposal of fixed asset	1,506	-
Operating leases	<u>28,298</u>	<u>33,755</u>

Included within expenditure are the following transactions:

	Total £	Individual items above £5,000	
		Amount £	Reason
Non contractual/non statutory severance payment	£Nil (2018: 43,289)	£Nil (2018: 43,289)	Special staff severance payments

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

7. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £	Restricted funds £	31.8.19 Total funds £	31.8.18 Total funds £
Direct costs	164,161	3,247,926	3,412,087	3,131,113
Support costs	<u>11,597</u>	<u>1,030,906</u>	<u>1,042,503</u>	<u>1,014,319</u>
	<u>175,758</u>	<u>4,278,832</u>	<u>4,454,590</u>	<u>4,145,432</u>

The comparatives include unrestricted funds of £123,625, restricted fixed asset funds of £221,710 and restricted funds of £3,800,097 giving a total of £4,145,432.

	31.8.19 Total £	31.8.18 Total £
Analysis of support costs		
Support staff costs	614,457	555,546
Depreciation	3,333	1,400
Premises costs	194,697	189,404
Other support costs	208,034	253,559
Governance costs	<u>21,982</u>	<u>14,410</u>
Total support costs	<u>1,042,503</u>	<u>1,014,319</u>

Analysis of resources expended by expenditure type

	Unrestricted Funds £	Restricted Funds £	31.8.19 Total Funds £	31.8.18 Total Funds £
Education	170,894	4,057,939	4,228,833	3,934,235
Nursery	<u>4,864</u>	<u>220,893</u>	<u>225,757</u>	<u>211,197</u>
	<u>175,758</u>	<u>4,278,832</u>	<u>4,454,590</u>	<u>4,145,432</u>

	Staff Costs £	Premises £	Other Costs £	31.8.19 Total Costs £	31.8.18 Total Costs £
Education	3,117,081	239,099	872,653	4,228,833	3,934,235
Nursery	<u>203,488</u>	<u>18,641</u>	<u>3,628</u>	<u>225,757</u>	<u>211,197</u>
	<u>3,320,569</u>	<u>257,740</u>	<u>876,281</u>	<u>4,454,590</u>	<u>4,145,432</u>

8. GOVERNORS' REMUNERATION AND BENEFITS

The Head Teacher and staff governors only receive remuneration in respect of services they provide undertaking their roles of Head Teacher and Staff and not in respect of their services as Governors. Other Governors did not receive any payments, other than expenses, from the Academy in respect of their role as Governors. The value of Governors' remuneration before deductions in the year to 31 August 2019 (or their date of resignation as trustee) was as follows:

			2019	2018
P Box	Headteacher & Trustee	Remuneration	£150,000 - £155,000	£120,000 - £125,000
		Er Pension Contributions	£20,000 - £25,000	£20,000 - £25,000
P Whitcombe	Headteacher & Trustee (resigned 20.03.2018)	Remuneration	NIL	£100,000 - £105,000
		Er Pension Contributions	NIL	£15,000 - £20,000
J McColl	Staff Trustee (resigned 20.03.2018)	Remuneration	NIL	£20,000 - £25,000
		Er Pension Contributions	NIL	£0 - £5,000
N Jones	Staff Trustee (resigned 20.03.2018)	Remuneration	NIL	£25,000 - £30,000
		Er Pension Contributions	NIL	£0 - £5,000
H Field	Staff Trustee (resigned 20.03.2018)	Remuneration	NIL	£10,000 - £15,000
		Er Pension Contributions	NIL	£0 - £5,000
P Smith	Deputy Headteacher & Trustee (resigned 20.03.2018)	Remuneration	NIL	£10,000 - £15,000
		Er Pension Contributions	NIL	£0 - £5,000

The above stated figures only represent the periods for when acting as a governor.

Governors' expenses

There were no governors' expenses paid for the year ended 31 August 2019 nor for the year ended 31 August 2018.

9. STAFF COSTS

Group	31.8.19	31.8.18
	£	£
Wages and salaries	2,723,893	2,428,933
Social security costs	218,508	198,262
Operating costs of defined benefit pension schemes	479,182	447,164
	<u>3,421,583</u>	<u>3,074,359</u>
Agency staff costs	41,424	51,454
Compensation payments	-	43,289
	<u>3,463,007</u>	<u>3,169,102</u>

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

Academy	31.8.19	31.8.18
	£	£
Wages and salaries	2,583,343	2,336,211
Social security costs	217,075	196,694
Operating costs of defined benefit pension schemes	<u>478,727</u>	<u>447,164</u>
	3,279,145	2,980,069
Supply teacher costs	41,424	51,484
Compensation payments	<u>-</u>	<u>43,289</u>
	<u><u>3,320,569</u></u>	<u><u>3,074,842</u></u>

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

	GROUP		ACADEMY	
	31.8.19	31.8.18	31.8.19	31.8.18
Teachers	38	32	38	32
Administration and support	106	82	82	78
Management	<u>12</u>	<u>13</u>	<u>12</u>	<u>13</u>
	<u><u>156</u></u>	<u><u>127</u></u>	<u><u>132</u></u>	<u><u>123</u></u>

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

	31.8.19	31.8.18
£100,001 - £110,000	-	1
£120,001 - £130,000	-	1
£140,001 - £150,000	<u>1</u>	<u>-</u>
	<u><u>1</u></u>	<u><u>2</u></u>

All of the above employees participated in the Teachers' Pension Scheme.

#### 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 £843,520 (2018: £881,252).

#### Staff restructuring costs

Included within staff restructuring costs are non-statutory / non-contractual severance payments totalling £NIL (2018: £43,289). Individually the payments in the previous year were £43,289 made in August 2018.

#### 10. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 (2018: £5,000,000) on any one claim and the cost for the year ended 31 August 2019 are included within total insurance costs.

**11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	General Fund £	Restricted Fixed Assets Fund £	Restricted General Fund £	Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>				
Donations and capital grants	540	26,470	102,355	129,365
Charitable activities				
Funding for the academy's educational operations	-	-	3,676,224	3,676,224
Other trading activities	<u>339,389</u>	<u>-</u>	<u>-</u>	<u>339,389</u>
<b>Total</b>	<b>339,929</b>	<b>26,470</b>	<b>3,778,579</b>	<b>4,144,978</b>
<b>EXPENDITURE ON</b>				
Raising funds	128,059	-	-	128,059
Charitable activities				
Academy's educational operations	<u>123,625</u>	<u>221,710</u>	<u>3,800,097</u>	<u>4,145,432</u>
<b>NET INCOME/(EXPENDITURE)</b>	<b>88,245</b>	<b>(195,240)</b>	<b>(21,518)</b>	<b>(128,513)</b>
Transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other recognised gains/(losses)</b>				
Actuarial gains/losses on defined benefit schemes	<u>-</u>	<u>-</u>	<u>319,000</u>	<u>319,000</u>
Net movement in funds	88,245	(195,240)	297,482	190,487
<b>RECONCILIATION OF FUNDS</b>				
Total funds brought forward	<u>288,066</u>	<u>4,031,571</u>	<u>(1,287,255)</u>	<u>3,032,382</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b><u>376,311</u></b>	<b><u>3,836,331</u></b>	<b><u>(989,773)</u></b>	<b><u>3,222,869</u></b>



Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

12. CENTRAL SERVICES

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

- Property Management
- Legal and Professional Services
- Marketing
- Administration

The trust charges for these services on an individual basis per expenses.

Most are split based on the following:

Lord Scudamore Primary Academy	74%
Sutton Primary Academy	20%
Kings Cagle Academy	6%

The actual amounts charged during the year were as follows:

	31.8.19	31.8.18
	£000's	£000's
Lord Scudamore Primary Academy	25	28
Sutton Primary Academy	8	8
Kings Cagle Academy	4	4
	<u>37</u>	<u>40</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

13. TANGIBLE FIXED ASSETS - GROUP

	Freehold property £	Long leasehold £	Fixtures and fittings £
<b>COST</b>			
At 1 September 2018	1,960,482	2,114,725	633,975
Additions	-	-	144,240
Disposals	-	-	-
At 31 August 2019	<u>1,960,482</u>	<u>2,114,725</u>	<u>778,215</u>
<b>DEPRECIATION</b>			
At 1 September 2018	200,293	253,385	521,212
Charge for year	27,744	35,299	82,617
Depreciation on Disposals	-	-	-
At 31 August 2019	<u>228,037</u>	<u>288,684</u>	<u>603,829</u>
<b>NET BOOK VALUE</b>			
At 31 August 2019	<u>1,732,445</u>	<u>1,826,041</u>	<u>174,386</u>
At 31 August 2018	<u>1,760,189</u>	<u>1,861,340</u>	<u>112,763</u>
	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
At 1 September 2018	50,181	263,665	5,023,028
Additions	19,995	42,492	206,727
Disposals	-	(34,786)	(34,786)
At 31 August 2019	<u>70,176</u>	<u>271,371</u>	<u>5,194,969</u>
<b>DEPRECIATION</b>			
At 1 September 2018	50,178	161,104	1,186,172
Charge for year	3,333	54,348	203,341
Depreciation on Disposals	-	(33,280)	(33,280)
At 31 August 2019	<u>53,511</u>	<u>182,172</u>	<u>1,356,233</u>
<b>NET BOOK VALUE</b>			
At 31 August 2019	<u>16,665</u>	<u>89,199</u>	<u>3,838,736</u>
At 31 August 2018	<u>3</u>	<u>102,561</u>	<u>3,836,856</u>

Included in cost or valuation of land and buildings is freehold land of £923,057 (2018 - £923,057) which is not depreciated.

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

**13. TANGIBLE FIXED ASSETS - ACADEMY**

	Freehold property £	Long leasehold £	Fixtures and fittings £
<b>COST</b>			
At 1 September 2018	1,960,482	2,114,725	631,773
Additions	-	-	144,240
Disposals	-	-	-
At 31 August 2019	<u>1,960,482</u>	<u>2,114,725</u>	<u>776,013</u>
<b>DEPRECIATION</b>			
At 1 September 2018	200,293	253,385	519,706
Charge for year	27,744	35,299	82,177
Eliminated on disposal	-	-	-
At 31 August 2019	<u>228,037</u>	<u>288,684</u>	<u>601,883</u>
<b>NET BOOK VALUE</b>			
At 31 August 2019	<u>1,732,445</u>	<u>1,826,041</u>	<u>174,130</u>
At 31 August 2018	<u>1,760,189</u>	<u>1,861,340</u>	<u>112,067</u>
	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
At 1 September 2018	50,181	258,290	5,015,451
Additions	19,995	41,888	206,123
Disposals	-	(34,467)	(34,467)
At 31 August 2019	<u>70,176</u>	<u>265,711</u>	<u>5,187,107</u>
<b>DEPRECIATION</b>			
At 1 September 2018	50,178	156,546	1,180,108
Charge for year	3,333	53,638	202,191
Eliminated on disposal	-	(32,961)	(32,961)
At 31 August 2019	<u>53,511</u>	<u>177,223</u>	<u>1,349,338</u>
<b>NET BOOK VALUE</b>			
At 31 August 2019	<u>16,665</u>	<u>88,488</u>	<u>3,837,769</u>
At 31 August 2018	<u>3</u>	<u>101,744</u>	<u>3,835,343</u>

Included in cost or valuation of land and buildings is freehold land of £923,057 (2018 - £923,057) which is not depreciated.

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2018

14. FIXED ASSET INVESTMENTS - ACADEMY

	Shares in group undertakings £
<b>MARKET VALUE</b>	
At 1 September 2018 and 31 August 2019	<u>1</u>
<b>NET BOOK VALUE</b>	
At 31 August 2019	<u><u>1</u></u>
At 31 August 2018	<u><u>1</u></u>

There were no investment assets outside the UK.

The company's investments at the balance sheet date in the share capital of companies include the following:

**HMFA Enterprises Limited**

Nature of business: Provision of catering and extended school services

Class of share:	%		
Ordinary	holding		
	100	31.8.19	31.8.18
		£	£
Aggregate capital and reserves		393	883
Profit for the year		<u>10,629</u>	<u>43,897</u>

The Academy's shareholding in the wholly owned subsidiary, HMFA Enterprises Limited (company number 09242303) is included in the balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Academy	
	31.8.19	31.8.18	31.8.19	31.8.18
	£	£	£	£
Trade debtors	10,651	29,399	10,363	29,491
Amounts owed by group undertakings	-	-	11,119	45,532
VAT	37,608	26,004	43,495	26,004
Prepayments and accrued income	<u>40,665</u>	<u>39,526</u>	<u>39,233</u>	<u>39,147</u>
	<u>88,924</u>	<u>94,929</u>	<u>104,210</u>	<u>140,174</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Academy	
	31.8.19	31.8.18	31.8.19	31.8.18
	£	£	£	£
Trade creditors	98,953	28,220	100,116	29,067
Social Security and other taxes	55,132	49,769	53,434	49,769
Other creditors	56,903	53,041	56,903	53,041
Deferred income	101,507	105,970	83,783	88,649
Accrued expenses	27,329	17,114	11,409	15,554
	<u>339,824</u>	<u>254,114</u>	<u>305,645</u>	<u>236,080</u>

DEFERRED INCOME

	31.8.19	31.8.18
	£	£
<b>Academy</b>		
Deferred Income at 1 September	88,649	95,112
Resources deferred in the year	83,783	88,649
Amounts released from previous years	<u>(88,649)</u>	<u>(95,112)</u>
Deferred Income at 31 August	<u>83,783</u>	<u>88,649</u>
	31.8.19	31.8.18
<b>Group</b>	£	£
Deferred Income at 1 September	105,970	107,060
Resources deferred in the year	101,507	105,970
Amounts released from previous years	<u>(105,970)</u>	<u>(107,060)</u>
Deferred Income at 31 August	<u>101,507</u>	<u>105,970</u>

Deferred income is made up of the following balances:

31.8.19	31.8.18	
£75,584	£82,723	Universal Infant Free School Meals Revenue Income
£6,362	£5,926	Rates Relief Funding Income
£1,254	£Nil	Inclusion grant
£583	£Nil	School meal
<b>£83,783</b>	<b>£88,649</b>	
<b>Group</b>		
£17,724	£17,321	Children's Club income
<b>£101,507</b>	<b>£105,970</b>	

17. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.8.19	31.8.18
	£	£
Within one year	7,581	28,558
Between one and five years	<u>4,123</u>	<u>11,704</u>
	<u>11,704</u>	<u>40,262</u>

18. MEMBERS' LIABILITY

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

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

				31.8.19
	General Fund	Restricted Fixed Assets Fund	Restricted General Fund	Total funds
	£	£	£	£
Fixed assets	967	3,837,769	-	3,838,736
Investments	-	-	-	-
Current assets	464,669	(13,748)	425,398	876,319
Current liabilities	(42,758)	-	(297,066)	(339,824)
Pension liability	-	-	(2,220,000)	(2,220,000)
	<u>422,878</u>	<u>3,824,021</u>	<u>(2,091,668)</u>	<u>2,155,231</u>

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

				31.8.18
	General Fund	Restricted Fixed Assets Fund	Restricted General Fund	Total funds
	£	£	£	£
Fixed assets	1,513	3,835,343	-	3,836,856
Investments	-	-	-	-
Current assets	392,832	988	479,307	873,127
Current liabilities	(18,034)	-	(236,080)	(254,114)
Pension liability	-	-	(1,233,000)	(1,233,000)
	<u>376,311</u>	<u>3,836,331</u>	<u>(989,773)</u>	<u>3,222,869</u>

20. MOVEMENT IN FUNDS

	At 1.9.18	Net movement in funds	Transfers between funds	At 31.8.19
	£	£	£	£
<b>Unrestricted funds</b>				
General fund	376,311	46,567	-	422,878
<b>Restricted funds</b>				
General Annual Grant	167,586	(48,789)	(90,951)	27,846
Other DfE/YPLA Grants	22,069	29,901	-	51,970
Other restricted	53,572	(5,056)	-	48,516
Restricted Pension Reserve	(1,233,000)	(987,000)	-	(2,220,000)
DfE/YPLA capital grants	113,992	29,294	13,383	156,669
Fixed Assets on Conversion	3,608,092	(62,763)	-	3,545,329
Fixed Assets funded by GAG	15,050	(23,890)	78,556	69,716
Fixed Assets funded by local authority	99,197	(45,902)	(988)	52,307
	<u>2,846,558</u>	<u>(1,114,205)</u>	<u>-</u>	<u>1,732,353</u>
<b>TOTAL FUNDS</b>	<u>3,222,869</u>	<u>(1,067,638)</u>	<u>-</u>	<u>2,155,231</u>

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

20. **MOVEMENT IN FUNDS - continued**

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	31.8.19 Movement in funds £
<b>Unrestricted funds</b>				
General fund	447,460	(400,893)	-	46,567
<b>Restricted funds</b>				
General Annual Grant	3,044,015	(3,092,804)	-	(48,789)
Other DfE/YPLA Grants	676,496	(646,595)	-	29,901
Other restricted	156,780	(161,836)	-	(5,056)
DfE/YPLA capital grants	112,336	(83,042)	-	29,294
Fixed Assets funded by GAG	-	(23,890)	-	(23,890)
Restricted Pension Reserve	-	(162,000)	(825,000)	(987,000)
Fixed Assets on Conversion	-	(62,763)	-	(62,763)
Fixed Assets funded by local authority	-	(45,902)	-	(45,902)
	<u>3,989,627</u>	<u>(4,278,832)</u>	<u>(825,000)</u>	<u>(1,114,205)</u>
<b>TOTAL FUNDS</b>	<u>4,437,087</u>	<u>4,679,725</u>	<u>(825,000)</u>	<u>(1,067,638)</u>

Comparatives for movement in funds

	At 1.9.17 £	Net movement in funds £	Transfers between funds £	At 31.8.18 £
<b>Unrestricted funds</b>				
General fund	288,066	88,245	-	376,311
<b>Restricted funds</b>				
General Annual Grant	93,867	71,516	2,203	167,586
Other DfE/YPLA Grants	4,485	17,584	-	22,069
Other restricted	39,393	16,382	(2,203)	53,572
Restricted Pension Reserve	(1,425,000)	192,000	-	(1,233,000)
DfE/YPLA capital grants	185,517	(71,525)	-	113,992
Fixed Assets on Conversion	3,670,855	(62,763)	-	3,608,092
Fixed Assets funded by GAG	39,269	(24,219)	-	15,050
Fixed Assets funded by local authority	135,930	(36,733)	-	99,197
	<u>2,744,316</u>	<u>102,242</u>	<u>-</u>	<u>2,846,558</u>
<b>TOTAL FUNDS</b>	<u>3,032,382</u>	<u>190,487</u>	<u>-</u>	<u>3,222,869</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

20. MOVEMENT IN FUNDS - continued

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	31.8.18 Movement in funds £
<b>Unrestricted funds</b>				
General fund	339,929	(251,684)	-	88,245
<b>Restricted funds</b>				
General Annual Grant	2,982,782	(2,911,266)	-	71,516
Other DfE/YPLA Grants	634,342	(616,758)	-	17,584
Other restricted	161,455	(145,073)	-	16,382
DfE/YPLA capital grants	26,470	(97,995)	-	(71,525)
Fixed Assets on Conversion	-	(62,763)	-	(62,763)
Fixed Assets funded by local authority	-	(36,733)	-	(36,733)
Restricted Pension Reserve	-	(127,000)	319,000	192,000
Fixed Assets funded by GAG	-	(24,219)	-	(24,219)
	<u>3,805,049</u>	<u>(4,021,807)</u>	<u>319,000</u>	<u>102,242</u>
<b>TOTAL FUNDS</b>	<u>4,144,978</u>	<u>(4,273,491)</u>	<u>319,000</u>	<u>190,487</u>

A current year 12 months and prior year 12 months combined position is as follows:

	At 1.9.17 £	Net movement in funds £	Transfers between funds £	At 31.8.19 £
<b>Unrestricted funds</b>				
General fund	288,066	134,812	-	422,878
<b>Restricted funds</b>				
General Annual Grant	93,867	22,727	(88,748)	27,846
Other DfE/YPLA Grants	4,485	47,485	-	51,970
Other restricted	39,393	11,326	(2,203)	48,516
Restricted Pension Reserve	(1,425,000)	(795,000)	-	(2,220,000)
DfE/YPLA capital grants	185,517	(42,231)	13,383	156,669
Fixed Assets on Conversion	3,670,855	(125,526)	-	3,545,329
Fixed Assets funded by GAG	39,269	(48,109)	78,556	69,716
Fixed Assets funded by local authority	<u>135,930</u>	<u>(82,635)</u>	<u>(988)</u>	<u>52,307</u>
	<u>2,744,316</u>	<u>(1,011,963)</u>	<u>-</u>	<u>1,732,353</u>
<b>TOTAL FUNDS</b>	<u>3,032,382</u>	<u>(877,151)</u>	<u>-</u>	<u>2,155,231</u>



Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

20. **MOVEMENT IN FUNDS - continued**

A current year 12 months and prior year 12 months combined net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
<b>Unrestricted funds</b>				
General fund	787,389	(652,577)	-	134,812
<b>Restricted funds</b>				
General Annual Grant	6,026,797	(6,004,070)	-	22,727
Other DfE/YPLA Grants	1,310,838	(1,263,353)	-	47,485
Other restricted	318,235	(306,909)	-	11,326
DfE/YPLA capital grants	138,806	(181,037)	-	(42,231)
Fixed Assets on Conversion	-	(125,526)	-	(125,526)
Fixed Assets funded by local authority	-	(82,635)	-	(82,635)
Restricted Pension Reserve	-	(289,000)	(506,000)	(795,000)
Fixed Assets funded by GAG	-	(48,109)	-	(48,109)
	<u>7,794,676</u>	<u>(8,300,639)</u>	<u>(506,000)</u>	<u>(1,011,963)</u>
<b>TOTAL FUNDS</b>	<u>8,582,065</u>	<u>(8,953,216)</u>	<u>(506,000)</u>	<u>(877,151)</u>

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

Restricted General Funds

General Annual Grant - Income from the ESFA which is to be used for the normal running costs of the Academy, including education and support costs.

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

Other DfE/YPLA Grants - Other grant income from the ESFA, which are used for the purposes intended.

Other Restricted - This fund includes income for Academy trips etc.

Restricted Pension Fund

Pension reserve - This represents the Academy's share of the assets and liabilities in the Local Government Pension Scheme.

Restricted Fixed Asset Funds

DfE/YPLA Capital Grants - These funds were received for direct expenditure on fixed asset projects. The balance at the year-end represents the NBV of assets and any unspent grant amounts.

Fixed Assets on Conversion - This represents the buildings and equipment donated to the school from the Local Authority on conversion to an Academy.

Fixed Assets funded by GAG - This represents capital expenditure that has been paid out of General Grant Income.

Unrestricted Funds

Unrestricted funds consist of the reserves of the subsidiary and income and expenditure allocated for general use in the Academy.

	31.8.19	31.8.18
	£	£
Unrestricted fund of HMFA	422,486	375,429
Reserves of HMFA Enterprises Ltd	392	882
	<u>422,878</u>	<u>376,311</u>

Herefordshire Marches Federation of Academies

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

20. MOVEMENT IN FUNDS - continued

Total funds analysed by academy:	31.8.19	31.8.18
	£	£
Fund balances at 31 August 2019 were allocated as follows:		
Lord Scudamore Academy	638,006	681,949
Sutton Primary Academy	(40,309)	(40,039)
Kings Caple Academy	(46,879)	(23,254)
<b>Total before fixed assets and pension reserve</b>	<b>550,818</b>	<b>618,656</b>
Restricted Fixed Asset Fund	3,824,021	3,836,331
Pension reserve	(2,220,000)	(1,233,000)
<b>Total</b>	<b>2,154,839</b>	<b>3,221,987</b>
Reserves of subsidiary	392	882
<b>Total</b>	<b>2,155,231</b>	<b>3,222,869</b>

Sutton Primary Academy is carrying a net deficit of £40,309 on these funds. The trust is taking the following action to return the academy to surplus:

- Careful budget monitoring and review of ongoing salary and other costs for the future.

Kings Caple Academy is carrying a net deficit of £46,879 on these funds. The trust is taking the following action to return the academy to surplus:

- Careful budget monitoring and review of ongoing costs and other costs for the future.

**Analysis of academies by cost**

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

	Teaching And Educational Support Staff Costs £	Other Support Staff Costs £	Educational Supplies £	Other Costs (excluding) Depreciation £	31.8.19 Total £	31.8.18 Total £
Lord Scudamore Academy	2,013,459	470,304	178,203	533,178	3,195,144	2,794,066
Sutton Primary Academy	504,714	93,183	43,650	162,766	804,313	825,600
Kings Caple Academy	187,939	50,970	15,054	46,884	300,847	324,434
	<u>2,706,112</u>	<u>614,457</u>	<u>236,907</u>	<u>742,828</u>	<u>4,300,304</u>	<u>3,944,100</u>

**Transfers between funds**

A transfer between general restricted and restricted fixed asset funds has been made during the year for fixed assets which have been funded by revenue funds.

## 21. 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 Worcestershire County Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £56,843 were payable to the schemes at 31 August 2019 (2018: £52,974) and are included within other creditors.

### Teachers' pension scheme

#### *Introduction*

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

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

#### *Valuation of the Teachers' Pension Scheme*

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

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

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

The employer's pension costs paid to TPS in the period amounted to £266,930 (2018: £242,284).

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

Notes to the Financial Statements - continued  
for the Year Ended 31 August 2019

22. PENSION AND SIMILAR OBLIGATIONS  
- continued

**Local government pension scheme**

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2018 was £266,851 (2018: £242,684), of which employer's contributions totalled £210,700 (2018: £193,406) and employees' contributions totalled £56,151 (2018: £49,278). The agreed contribution rates for future years are 17.6 per cent for employers and between 5.5 and 12.5 per cent for employees.

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

The annual valuation at 31 August 2019 has taken into account the effects of the McCloud judgement.

As the scheme is in deficit, the school has entered into an agreement with the governors to make additional contributions in addition to normal funding levels.

The rates payable over a three year period will be the Future Service Rate of 17.5% of payroll plus phased lump sum deficit contributions starting at £66,900 for the year 2017/18 increasing by approximately 4% per annum. The rate payable from 1 April 2020 will be further revised following the valuation of the Pension Fund which will take place on 31 March 2019.

The current estimated recovery period is 8 years.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
	£	£
Present value of funded obligations	(4,517,000)	(3,070,000)
Fair value of plan assets	<u>2,297,000</u>	<u>1,837,000</u>
	<u>(2,220,000)</u>	<u>(1,233,000)</u>
Deficit	<u>(2,220,000)</u>	<u>(1,233,000)</u>
Liability	<u>(2,220,000)</u>	<u>(1,233,000)</u>

The amounts recognised in the statement of financial activities are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
	£	£
Current service cost	285,000	309,000
Net interest from net defined benefit asset/liability	32,000	8,000
Past service cost	52,000	-
Administration expenses	<u>4,000</u>	<u>3,000</u>
	<u>373,000</u>	<u>320,000</u>
Actual return on plan assets	<u>88,000</u>	<u>106,000</u>

21. PENSION AND SIMILAR OBLIGATIONS  
- continued

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
	£	£
Defined benefit obligation	3,070,000	2,932,000
Current service cost	285,000	284,000
Past service cost	52,000	-
Contributions by scheme participants	56,000	74,000
Interest cost	89,000	49,000
Actuarial losses/(gains)	856,000	(253,000)
Benefits paid	109,000	(16,000)
	<u>4,517,000</u>	<u>3,070,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
	£	£
Fair value of scheme assets	1,837,000	1,507,000
Contributions by employer	211,000	193,000
Contributions by scheme participants	56,000	49,000
Expected return	57,000	41,000
Actuarial gains/(losses)	31,000	66,000
Benefits paid	109,000	(16,000)
Administration expenses	(4,000)	(3,000)
	<u>2,297,000</u>	<u>1,837,000</u>

The amounts recognised in other recognised gains and losses are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
	£	£
Actuarial gains/(losses)	(825,000)	319,000
	<u>(825,000)</u>	<u>319,000</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	31.8.19	31.8.18
Equities	70.9%	77%
Government bonds	7.5%	8%
Other Bonds	5%	4.6%
Cash/liquidity	2.9%	2.1%
Other	7.7%	3.6%
Property	6%	4.7%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	31.8.19	31.8.18
Discount rate	1.8%	2.8%
Future salary increases	3.5%	3.6%
Future pension increases	2.1%	2.2%
Inflation assumption (CPI)	2%	2.1%

**21. PENSION AND SIMILAR OBLIGATIONS**  
**- continued**

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

	31.8.19	31.8.18
Retiring today		
Males	22.8	22.7
Females	25.8	25.7
Retiring in 20 years		
Males	25.1	24.9
Females	28.2	28.0
<b>Sensitivity Analysis</b>		
	31.8.19	31.8.18
	£'000	£'000
Central	2,220	1,233
Sensitivity 1 (discount rate +0.1%)	2,114	1,161
Sensitivity 2 (inflation +0.1%)	2,328	1,306
Sensitivity 3 (pay growth +0.1%)	2,240	1,248
Sensitivity 4 (1 year increase in life expectancy)	2,301	1,288

The Academy expects to contribute £212,000 (2018/19: £196,000) to its Defined benefit pension scheme in 2019/20.

**22. CONTINGENT LIABILITIES**

There were no contingent liabilities at the year end.

**23. RELATED PARTY DISCLOSURES**

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

Activate Educational Ltd (dissolved 7.5.19) - a company which P Box (Governor & Accounting Officer) was a director

During the year to 31 August 2019 payments totalling £Nil (2018: £1,480) and receipts totalling £Nil (2018: £Nil) were made to Activate Educational Ltd.

At the year end no balance (2018: £Nil) was due to Activate Educational Ltd.

HMFA Enterprises Ltd - wholly owned subsidiary of Hereford Marches Federation of Academies (HMFA)

During the year HMFA made payments to HMFA Enterprises of £49,411 (2018: £Nil) for supply of catering services and £14,248 (2018: £Nil) for the recharge of staff costs. Income was received from HMFA Enterprises Ltd of £4,000 (2018: £4,000) for rental of premises and £4,602 (2018: £8,620) in relation to recharged costs.

At the year end £1,305 (2018: was due to HMFA Enterprises Ltd.

The catering SLA with HMFA Enterprises Ltd commenced on 1 March 2019 and therefore was not required to be disclosed to the ESFA under the Academies Financial Handbook regulations for 2018/19.

HMFA Enterprises Ltd covenanted £11,119 (2018: £45,533) of its profits to HMFA, all of which was due to the academy at the year end.

Transactions with wider federation academies/schools

During the year transactions have been made between Herefordshire Marches Federation of Academies and academies/school included within its wider federation. All these transactions related to recharge of expenditure across the federation.

	Income	Expenditure	Balance outstanding at year end
Canon Pyon CE Academy	£41,576 (2018: £29,441)	£3,173 (2018: £1,230)	£Nil (2018: £22,546)
Llangrove CE Academy	£28,787 (2018: 16,147)	£Nil (2018: £Nil)	£1,405 (2018: £648)
Marden Primary Academy	£8,798 (2018: £6,037)	£Nil (2018: £Nil)	£2,069 (2018: £506)
St Weonards Primary School	£30,100 (2018: £3,703)	£Nil (2018: £Nil)	£673 (2018: £557)
Pencombe C of E Primary School	£8,455 (2018: £3,961)	£Nil (2018: £Nil)	£774 (2018: £608)
Clehonger C of E Primary School	£26,324 (2018: £10,669)	£Nil (2018: £Nil)	£548 (2018: £253)

**24. POST BALANCE SHEET EVENTS**

After the year end 31 August 2019, significant items of one-off expenditure has been planned to take place as follows:

31.8.19	31.8.18	
£Nil	£50,000	on Kitchen Equipment
£Nil	£18,000	Van to transport meal provision

Contracts had not been signed for these items before the year end but funds have been held back for this expenditure.

