

Report of the Governors and
Consolidated Financial Statements for the Year Ended
31 August 2016
for
Herefordshire Marches Federation of
Academies

Thorne Widgery 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 2016

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Herefordshire Marches Federation of Academies

Reference and Administrative Details for the Year Ended 31 August 2016

MEMBERS

R North
P Whitcombe
P Box

GOVERNORS

P Box (Accounting Officer) *
P Whitcombe *
R North (Chair of Governors) *
R J Blackman (resigned 30.11.15) *
H Field
D A Greenough
W J Griffiths *
A Harvey *
N J Jones (Finance Director) *
E Klein
J M McColl
K P Smith
L Conod
S K F Elwine (appointed 1.9.15)

* members of the finance and premises committee

SENIOR MANAGEMENT TEAM

P Box, Headteacher
P Whitcombe, Headteacher
A Colledge
R Wargen
C Benjamin
C Watkins
J Brace
J M McColl
L Orton
N J Jones
Z Beecham
H Card

Herefordshire Marches Federation of Academies

Reference and Administrative Details for the Year Ended 31 August 2016

EX-OFFICIO GOVERNORS

Name	Appointment Date	Resignation Date
A Harvey (1, 2, 4)		
A Blackburne (3)		
A Stather-Hooper (4)		
A Lewis (5)		
C Riddell (5)		
C Watkins (5)		
D A Greenough (1)		
E Klein (1)		
D Milne (3)		
E Morris (3)		
G Corrick (5)		
H Card (4)		
H Field (1)		
J M McColl (1, 3)		
J Griffiths (1, 2, 4)		
K E Higgins (3)		
L Orton (5)		
L Conod (1, 3)		
N J Jones (1, 2)		
P Lafaia (5)		
P Rusher (3)		
K P Smith (1, 5)		
P Whitcombe (1, 2)		
P Box (1, 2)		
R J Blackman (1, 2, 5)		9th November 2015
R Rider (3)		
R North (1, 2, 3)		
S Talboys (5)		
S Bryce (5)		
S Elwine (1, 4)	1st September 2015	
S Morris-Davies (3)		
S Reade (3)		
S Hook (4)		
Z Beecham (3)		

- 1 Director of the Academy for statutory purposes
- 2 Finance Committee
- 3 Lord Scudamore Governor
- 4 Kings Caple Governors
- 5 Sutton Governor

Herefordshire Marches Federation of Academies

Reference and Administrative Details for the Year Ended 31 August 2016

COMPANY SECRETARY

C Watkins

REGISTERED OFFICE

Lord Scudamore
Friars Street
Hereford
Herefordshire
HR4 0AS

REGISTERED COMPANY NUMBER

7578861 (England and Wales)

INDEPENDENT AUDITORS

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

Herefordshire Marches Federation of Academies

Report of the Governors
for the Year Ended 31 August 2016

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 and the group for the year ended 31 August 2016. 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 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 2016 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.
- To strive for an Outstanding judgement 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 2016

ACHIEVEMENT AND PERFORMANCE

Charitable activities

Achievements and Performance

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

All schools have taken part in shared Federation Olympics, dance and gymnastics events. Pupils from Year 5 and Year 6 across the schools have taken part in residential trips to London and the Oakerwood outdoor activity centre.

Teachers have received training in Tara Maths, Talk4Writing and THRASS as well as a wide variety of "responsibility specific" training.

Senior staff have been involved in managing the performance of staff, mentoring NQTs and Lord Scudamore Academy has adopted a phase approach for leadership of year groups.

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.

Both Headteachers are centrally qualified, and practising, Ofsted Inspectors. In addition both achieved PQSI - Professional Qualification in School Inspection. This provides timely strategic input into leadership, governance, safeguarding, assessment and expectations of behaviour and well-being.

Herefordshire Marches Federation of Academies

Report of the Governors
for the Year Ended 31 August 2016

ACHIEVEMENT AND PERFORMANCE

Key performance indicators

As funding is based on pupil numbers this is a key performance indicator.

Pupil numbers for 15/16 was 837 for all 3 schools, an increase from 784 since 14/15. It is anticipated that pupil numbers will remain consistent for the next financial year.

Pupil Numbers end of Academic Year:

Lord Scudamore Academy	675
Sutton Academy	120
Kings Caple Academy	42

Pupil attendance is another indicator used to determine performance. During the year 15/16 the overall percentage attendance rate across HMFA was 96.6%, which is higher than the National Average for State Funded Schools of 96.4%. The schools have robust systems in place for dealing with absence issues.

Progress from Key Stage 1 to Key Stage 2 is an indicator of the school's teaching performance. The following Tables show progress for all year groups in each school. Please note that each school has markedly different cohort sizes, as indicated by school size above.

Lord Scudamore

Progress of the pupils in all year groups.

Given the raised expectations across all subjects- we expect a minimum three points progress across the year.

	Maths	Reading	Writing
Year 1	2.8	2.9	3.0
Year 2	3.1	2.9	3.2
Year 3	3.0	3.0	3.2
Year 4	4.0	3.7	4.6
Year 5	5.3	4.9	5.6
Year 6	7.3	6.2	7.6
EAL	4.8	5.3	5.3
SEN	4.8	4.5	4.6
Pupil Premium	4.4	4.0	4.7
Girls	4.3	3.9	4.3
Boys	4.2	4.0	4.7

Sutton

Progress of the pupils in all year groups.

Given the raised expectations across all subjects- we expect a minimum three points progress across the year.

	Maths	Reading	Writing
Year 1	3.2	3.2	3.4
Year 2	2.9	2.8	2.8
Year 3	3.3	3.2	3.9
Year 4	3.6	3.2	4.4
Year 5	5.9	6.6	7.3
Year 6	7.8	7.4	7.1
EAL	-	-	-
SEN	4.7	5.0	5.6
Pupil Premium	3.6	3.5	4.1
Girls	3.7	3.7	4.0
Boys	4.2	4.0	4.6

Herefordshire Marches Federation of Academies

Report of the Governors
for the Year Ended 31 August 2016

ACHIEVEMENT AND PERFORMANCE
Key performance indicators

Kings Caple

Progress of the pupils in all year groups.

Given the raised expectations across all subjects- we expect a minimum three points progress across the year.

	Maths	Reading	Writing
Year 1	3.3	3.1	3.4
Year 2	3.8	3.8	3.3
Year 3	2.6	5.5	4.3
Year 4	3.6	2.3	3.4
Year 5	3.1	3.1	3.7
Year 6	4	3.3	4.0
EAL	-	-	-
SEN	3.3	4.3	4.0
Pupil Premium	3.3	4.0	3.9
Girls	3.6	4.1	4.1
Boys	3.3	3.1	3.5

FINANCIAL REVIEW

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.

Financial Review

Most of the Academy's income is obtained from the DfE via the EFA 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 2016 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.

During the year ended 31 August 2016, total expenditure of £2,675,128 (2015: £3,009,487) was covered by recurrent grant funding from the DfE. The excess of income over expenditure for the year after transfers (excluding restricted fixed asset funds) was £78,414 (2015: £79,275).

At 31 August 2016 the net book value of fixed assets was £4,092,624 (2015: £4,268,938) and movements in tangible fixed assets are shown in Note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

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

The EFA 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 Caple 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 Note 20 to the financial statements.

Key financial policies adopted or reviewed during the year include the Finance Policy 2016 and the Financial Delegation Scheme 2016 which lay out the framework for financial management, including financial responsibilities of the Board, Headteachers, finance staff and budget holders, as well as delegated authority for spending.

Directors have appointed Chris Brooks as Internal Auditor who is not a Director, to undertake a programme of internal checks on financial controls. During the year, the Directors received four reports from him which have been reviewed by the Finance Committee and contained no matters of significance.

FINANCIAL REVIEW 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.

Going concern

After making appropriate enquiries, the Board of Directors have established a working group investigating options available for the sustainability of the MAT. Its aim is to ensure adequate resources are available to continue in operational existence for the foreseeable future.

Funds in deficit

At the end of the previous year, the Other DfE Grants fund was in deficit by £19,032; however restricted funds were not in deficit as a whole. The deficit had arisen as a result of a funding timing issue, which was rectified in the current financial year.

FUTURE PLANS

The Academy will continue to strive to provide outstanding education and improve the levels of performance of its pupils at all levels. The Academy will continue to aim to attract high quality teachers and support staff in order to deliver its objectives.

The Academy will continue to work with partner schools to improve the educational opportunities for students in Herefordshire.

Key Initiatives for 2016-2017

- To invest time into creating and submitting Capital Bids to enable schools to provide core needs. i.e. increased need/uptake for hot school meal provision.
- To future-proof the structural organisation of the MAT and partner schools in light of increasing financial challenges.
- Continue to develop our assessment procedures in-line with new published data and enabling analysis of specific groups
- Continue to support teachers to embed key initiatives, including Tara Maths, Talk4Writing and THRASS.
- To ensure systems are clear, transparent and support our principle aim of providing outstanding provision

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 and the group'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.

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 comprises two Headteachers, a minimum of two Parent Governors, up to five Staff Governors (providing that the total number of Directors, including the Headteachers, who are employees of the Academy Trust, does not exceed one third of the total number of Directors). Not subject to a maximum.

When appointing new Directors, the Board will give consideration to the skills and experience mix of existing Directors in order to ensure that the Board has the necessary skills to contribute fully to the Academy's development. The Trust Board comprises of Directors elected by the three 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 following decisions are reserved to the Board of Directors;

- to consider any proposals for changes to the status or constitution of the Academy and its committee structure
- to appoint or remove the Chairman and/or Vice Chairman
- to appoint the Headteacher and Clerk to the Governors
- to approve the Financial Statutory Accounts, Financial & Pay Policies and Annual budget plan
- to make major decisions about the direction of the Academy and capital projects

The Trustees and Board of Directors have devolved responsibility for day to day management of the Academy to the Headteacher and Senior Management Team (SMT). The SMT comprises the Headteachers, Deputy Headteachers, Assistant Headteachers, Finance Director, Safeguarding Manager and Company Secretary. The SMT implement the policies laid down by the 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. They have delegated functions such as; teaching staff appointments and approval of Strategic Development Plan (please refer to the MAT Scheme of Delegation).

The Headteacher; Peter Box is the Accounting Officer.

The Directors of the subsidiary company HMFA Enterprises Ltd meet once a term. They are able to make operational decisions regarding the business activities. Strategic or staffing decisions are made by the Board of HMFA.

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 copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors.

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.

Key management remuneration

The Academy follows the Teachers Performance Related Pay Policy adopted in January 2015. The purpose of this pay policy is to set out the principles for determining all decision on teachers' pay. It has been developed to comply with current legislation and the requirements of the School Teachers' Pay and Conditions Document.

With regard to key management personnel in a non-teaching role, the HMFA have adopted the terms and conditions of the National Joint Council, as contained in the National Agreement on Pay and Conditions of Service (The Green Book). Roles which fall outside the 'generic posts' are submitted for evaluation to attain appropriate remuneration within the NJC pay scales.

The HMFA Board of Directors delegate responsibility for achieving the aims of the pay policy for all staff to the Pay Review Committee who will act in a fair and equal manner, observing all statutory and contractual obligations. Decisions will be minuted and reported to the HMFA Board annually at their Autumn Term meeting.

Related parties

The Academy is part of a soft federation with 4 other primary schools; Canon Pyon CE Academy, Llangrove CE Academy, St Weonards Primary School and Marden Primary Academy, The Headteachers Peter Box and Paul Whitcombe are Executive Headteachers at Canon Pyon CE Academy & Llangrove CE Academy. We support these schools through use of shared expertise, staffing, resources and group purchasing discounts.

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, School Uniform Shop and Pippins Pre-school.

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 2016 (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.

HMFA pupil numbers remain constant so risks to revenue funding from a falling roll are small. However it is important to remember that the 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 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.

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 EFA. In the last year 92% 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 - the Governing Body recognises that the defined benefit scheme deficit (Local Government Pension Scheme), which is set out in Note 20 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 a revision of Employer rates on 1st April 2017. 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.

The Governors Report, incorporating a strategic report, was approved by the board of governors, as the company directors on and signed on its behalf by:

.....
R North - Chair of Governors

Herefordshire Marches Federation of Academies

Governance Statement
for the Year Ended 31 August 2016

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 Board of Directors has delegated the day-to-day responsibility to the Headteachers as CEO's and the 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
P Box	Headteacher	3	3
H Field	Staff Governor	3	3
D A Greenough		3	3
W J Griffiths		0	3
A Harvey		2	3
N J Jones	Staff Governor	3	3
E Klein		1	3
J M McColl		1	3
L Conod		0	3
Prebendary R North	Chair	3	3
K P Smith	Headteacher	2	3
P Whitcombe	Headteacher	2	3

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

Governance Review

Following on from last year's report, the composition of the HMFA Board continues to be a priority focus. Our aim was to ensure that one parent governor from each of the 3 Academies sat on the HMFA Board of Directors. We achieved this for Kings Caple Academy by appointing Mrs Sarah Elwine as a Director in September 2015. With regard to Lord Scudamore and Sutton, parent governor elections have now taken place at both sites and, once the newly appointed Governors have settled into their new role we will consider appointing them onto the HMFA Board of Directors.

This year's review has also seen the development of a MAT Scheme of Delegation to clarify the responsibilities and powers of Directors, Governors and Headteachers in respect of key aspects of the management of the Trust and its Academies. The MAT SOD now sits alongside the HMFA Finance Policy and Financial Delegation Scheme which cover all financial delegations and the suite of policies through which the HMFA operates.

Within this MAT Scheme of Delegation consideration was also given to the role of the local governing bodies. The HMFA Trust is ultimately accountable for the management and administration of its Academies. With this in mind, it was agreed that we would change the name of the Local Governing Bodies to Local Advisory Bodies, and site them alongside other key HMFA Committees on the Structure Chart. The new advisory role reflects the delegated key function within the Multi Academy Trust, and also its importance in providing the Trust with the necessary tools to ensure that it can maintain the individual character of each of its 3 Academies. This change has been reflected within the MAT Scheme of Delegation. Local Advisory Board terms of reference were drafted and subsequently approved by the Board in their spring meeting 2016.

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 2016

Due to a change in the Academies Financial Handbook 2015 there was no longer a need for a separate Audit Committee so the terms of reference of the Finance committee were amended to also include responsibility for; reviewing the risks to internal financial controls, reviewing the Risk Register annually, and reviewing Internal Auditor reports.

During the year the committee reviewed new options for Internal Auditor Service, Internet/Broadband service and Photocopier lease contracts. In addition to reviewing the draft annual accounts and proposed budget plans and reserves forecasts.

During the year the committee reviewed ICT Operating Lease proposals, UIFSM scheme and Capital projects.

The finance committee has formally met three times during the year.

Attendance at meetings in the year was as follows:

Governor	Meetings Attended	Out of a possible
P Box	3	3
P Whitcombe	3	3
R North	2	3
N Jones	3	3
John Griffiths	3	3
A Harvey	3	3

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:

Governor	Meetings Attended	Out of possible
P Box	1	1
P Whitcombe	1	1
R North	1	1
J Griffiths	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 taxpayers 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 accounting officer for the academy trust has delivered improved value for money during the year by:

- A working party was set up to review the current IT infrastructure across the schools and to consider IT solutions and development through strategic vision and planning meetings. One area that was highlighted in need of change was the current Broadband service which wasn't considered good value for money as the service was unreliable and expensive. The Finance Director explored various Internet service options taking into consideration; cost, contract length, speed and reliability of service. The finance committee reviewed the proposals and recommended for Board approval that Sutton Academy & Kings Caple Academy would switch to a Fibre Optic service saving each school £2,796 per year (82% of current costs). It was agreed that Lord Scudamore would switch to a Leased Line service which offered 100% guaranteed service and high speeds whilst saving the school over £2,000 per year (22% of current costs).

Review of Value for Money

- An annual staff review took place at the start of the academic year which enabled the Academy to closely evaluate the support and teaching staff needs in the schools. One of the benefits of the wider federation is that staff can be transferred between schools to more appropriate settings for their skill set. Teaching staff due to leave at the end of the Autumn term were replaced with NQTs or cheaper temporary supply staff were employed until the return of teachers on maternity leave. During the year the changes to teaching and support staff meant an overall saving of £45,164 for the MAT.
- 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.
- During the year new photocopier contracts were sourced and negotiated for Sutton & Kings Cagle Academies to commence July 2016 to include new reduced per copy rates, lease rental and user passcode system to reduce wastage. Significant price reductions were secured by the Academy Finance Director with savings projected at: Sutton: 44% saving on current costs, estimated at £2,402 saving per annum Kings Cagle: 48% saving on current costs estimated at £1,762 saving per annum
- 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.

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

The Board of Directors has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1st September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Governing Body;
- 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 Chris Brooks, as Internal Auditor. The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included:

- Review of financial systems and internal controls
- Payroll review
- Proper use of public funds
- Testing of control accounts and bank reconciliations
- Major contracts

On a quarterly basis, the Internal Auditor reports to the Board of Directors, through the Audit Committee on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

Herefordshire Marches Federation of Academies

Governance Statement
for the Year Ended 31 August 2016

The Risk and Control Framework

During the year four reports were received as scheduled and no matters of significant concern were raised.

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 Internal Auditor;
- 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 and signed on its behalf by:

.....
R North - Chair of Governors

.....
Peter Box - Accounting Officer

Herefordshire Marches Federation of Academies

Statement on Regularity, Propriety and Compliance for the Year Ended 31 August 2016

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 Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, 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 2015.

I confirm that I and the charitable company board of governors are able to identify any material irregular or improper use of 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 2015.

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

.....
Peter Box - Accounting Officer

Date:

Herefordshire Marches Federation of Academies
Governors Responsibility Statement
for the Year Ended 31 August 2016

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 Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the 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 2015 to 2016;
- 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 EFA/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.

The Governors Report, incorporating a strategic report, was approved by the board of governors, as the company directors on and signed on its behalf by:

.....
R North - Chair of Governors

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

We have audited the financial statements of Herefordshire Marches Federation of Academies for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2015 to 2016 issued by the Education Funding Agency (EFA).

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.

Respective responsibilities of governors and auditors

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.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Governors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and 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 2015 to 2016.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Governors.

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:

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 Funding Agency

In accordance with the terms of our engagement and further to the requirements of the Education Funding Agency (EFA), as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Herefordshire Marches Federation of Academies during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Herefordshire Marches Federation of Academies and the EFA 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 EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Herefordshire Marches Federation of Academies and the EFA, 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 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the 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 22 in the attached accounts.

Independent Reporting Accountant's Assurance Report on Regularity to
Herefordshire Marches Federation of
Academies and the Education 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 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

Date:

Herefordshire Marches Federation of
Academies

Consolidated Statement of Financial Activities
(Incorporating an Income and Expenditure Account and
Statement of Total Recognised Gains and Losses)
for the Year Ended 31 August 2016

			Restricted Fixed Assets Fund	Restricted General Fund	31.8.16 Total funds	31.8.15 Total funds
	Notes	General Fund £	£	£	£	£
INCOMING RESOURCES						
Income and endowments from:						
Donations and capital grants	3	-	26,773	102,131	128,904	393,212
Other trading activities	4	314,312	-	-	314,312	279,619
Investments	6	-	-	-	-	43
Charitable activities:						
Academy's educational operations	7	-	-	3,467,144	3,467,144	3,404,100
Total incoming resources		314,312	26,773	3,569,275	3,910,360	4,076,974
RESOURCES EXPENDED						
Raising funds:						
Fundraising expenses		120,180	-	-	120,180	81,507
Charitable activities:						
Academy's educational operations	9	347,546	218,453	3,380,156	3,946,155	3,840,575
Total resources expended	8	467,726	218,453	3,380,156	4,066,335	3,922,082
NET (OUTGOING) / INCOMING RESOURCES		(153,414)	(191,680)	189,119	(155,975)	154,892
Gross transfers between funds	21	-	230,418	(230,418)	-	-
Other recognised gains/(losses)						
Actuarial gains/(losses) on defined benefit schemes	22	-	-	(650,000)	(650,000)	(58,000)
Net movement in funds		(153,414)	38,738	(691,299)	(805,975)	96,892
RECONCILIATION OF FUNDS						
Total funds brought forward		399,760	4,103,645	(793,911)	3,709,494	3,612,602
TOTAL FUNDS CARRIED FORWARD		246,346	4,142,383	(1,485,210)	2,903,519	3,709,494

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes form part of these financial statements

Herefordshire Marches Federation of
Academies

Consolidated Balance Sheet
At 31 August 2016

	Notes	31.8.16 £	31.8.15 £
FIXED ASSETS			
Tangible assets	15	4,096,625	4,272,119
Investments	16	-	-
		<u>4,096,625</u>	<u>4,272,119</u>
CURRENT ASSETS			
Debtors	17	112,664	185,437
Cash at bank and in hand		<u>599,907</u>	<u>537,844</u>
		712,571	723,281
CREDITORS			
Amounts falling due within one year	18	(328,677)	(405,906)
		<u>383,894</u>	<u>317,375</u>
NET CURRENT ASSETS/(LIABILITIES)			
		4,480,519	4,589,494
TOTAL ASSETS LESS CURRENT LIABILITIES			
PENSION LIABILITY	22	(1,577,000)	(880,000)
		<u>2,903,519</u>	<u>3,709,494</u>
NET ASSETS			
FUNDS	20, 21		
Unrestricted funds:			
General fund		246,346	399,760
Restricted funds:			
General Annual Grant		55,707	83,045
Other DfE/YPLA Grants		-	(19,032)
Other restricted		36,083	22,076
Restricted Pension Reserve		(1,577,000)	(880,000)
DfE/YPLA capital grants		359,927	272,476
Fixed Assets on Conversion		3,733,935	3,831,169
Fixed Assets funded by GAG		<u>48,521</u>	-
		<u>2,657,173</u>	<u>3,309,734</u>
TOTAL FUNDS		<u>2,903,519</u>	<u>3,709,494</u>

The consolidated financial statements were approved and authorised for issue by the Board of Governors on and were signed on its behalf by:

.....
R North -Chair of Governors

The notes form part of these financial statements

Herefordshire Marches Federation of
Academies

Academy Balance Sheet (Registered number: 7578861)
At 31 August 2016

	Notes	31.8.16 £	31.8.15 £
FIXED ASSETS			
Tangible assets	15	4,092,624	4,268,938
Investments	16	<u>1</u>	<u>1</u>
		4,092,625	4,268,939
CURRENT ASSETS			
Debtors	17	146,130	212,055
Cash at bank and in hand		<u>555,112</u>	<u>489,130</u>
		701,242	701,185
CREDITORS			
Amounts falling due within one year	18	(317,814)	(380,805)
		<u>383,428</u>	<u>320,380</u>
NET CURRENT ASSETS/(LIABILITIES)			
TOTAL ASSETS LESS CURRENT LIABILITIES		4,476,053	4,589,319
PENSION LIABILITY	22	(1,577,000)	(880,000)
NET ASSETS		<u>2,899,053</u>	<u>3,709,319</u>
FUNDS	20, 21		
Unrestricted funds:			
General fund		241,880	399,585
Restricted funds:			
General Annual Grant		55,707	83,045
Other DfE/YPLA Grants		-	(19,032)
Other restricted		36,083	22,076
Restricted Pension Reserve		(1,577,000)	(880,000)
DfE/YPLA capital grants		359,927	272,476
Fixed Assets on Conversion		3,733,935	3,831,169
Fixed Assets funded by GAG		<u>48,521</u>	<u>48,521</u>
		2,657,173	3,309,734
TOTAL FUNDS		<u>2,899,053</u>	<u>3,709,319</u>

The financial statements were approved and authorised for issue by the Board of Governors on and were signed on its behalf by:

.....
R North -Chair of Governors

The notes form part of these financial statements

Herefordshire Marches Federation of Academies

Consolidated Cash Flow Statement
for the Year Ended 31 August 2016

	Notes	31.8.16 £	31.8.15 £
Cash flows from operating activities:			
Cash generated from operations	1	78,235	135,777
Interest paid		<u>(809)</u>	<u>(1,281)</u>
Net cash provided by (used in) operating activities		<u>77,426</u>	<u>134,496</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		(42,136)	(310,378)
Purchase of fixed asset investments		-	-
Capital grants from DfE/EFA		26,773	282,653
Interest received		<u>-</u>	<u>43</u>
Net cash provided by (used in) investing activities		<u>(15,363)</u>	<u>(27,682)</u>
Change in cash and cash equivalents in the reporting period		<u>62,063</u>	<u>106,814</u>
Cash and cash equivalents at the beginning of the reporting period		<u>537,844</u>	<u>431,030</u>
Cash and cash equivalents at the end of the reporting period		<u>599,907</u>	<u>537,844</u>

The notes form part of these financial statements

1. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.8.16	31.8.15
	£	£
Net (outgoing) / incoming resources	(155,975)	167,892
Depreciation charges	220,155	191,899
Capital grants from DfE/EFA	(26,773)	(282,653)
Interest received	-	(43)
Interest paid	809	1,281
(Increase)/decrease in debtors	72,773	(72,659)
(Decrease)/Increase in creditors	(77,229)	108,060
Reclassification of fixed assets	(2,525)	
Difference between pension charge and cash contributions	<u>47,000</u>	<u>22,000</u>
Net cash inflow from operating activities	<u><u>78,235</u></u>	<u><u>135,777</u></u>

1. ACCOUNTING POLICIES

Basis of preparation

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 2015 to 2016 issued by the EFA, the Charities Act 2011 and the Companies Act 2006. The financial statements have been prepared under the historical cost convention. The results of the subsidiary are consolidated on a line by line basis. No separate SOFA has been presented for the academy alone as permitted by Section 408 of the Companies Act 2006 and paragraph 297 of the SORP.

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

First time adoption of FRS 102

These financial statements are the first financial statements of Herefordshire Marches Federation of Academies prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Charities SORP 2015. The financial statements of Herefordshire Marches Federation of Academies for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Going concern

The Academy has considerable reliance on continued Government funding through the EFA. Although there is no assurance that Government funding will continue at its current level for the period covered by the going concern review, the Governors have a reasonable expectation that the Academy will have adequate resources to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Governors' Responsibilities.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the academy is legally entitled to the income and the amount can be quantified with reasonable accuracy.

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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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 it is probable that the income will be received and the amount can be measured reliably.

Donations

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

1. ACCOUNTING POLICIES - continued

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.

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.

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.

Tangible fixed assets

All individual assets costing more than £2,500 are capitalised with other expenditure considered on an individual basis.

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

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

Long Leasehold Property	-	2% Straight line
Motor Vehicles	-	20% Straight line
Fixtures and Fittings	-	20% Straight line
Computer Equipment	-	33% Straight line

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.

Leased Assets

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

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.

1. ACCOUNTING POLICIES - continued

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.

Pension costs and other post-retirement benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest.

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

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.

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.

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. GENERAL ANNUAL GRANT

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

2.1 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Herefordshire Marches Federation of Academies and all of its subsidiary undertakings ('subsidiaries').

The Academy has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and expenditure account.

The deficit for the year dealt with in the accounts of the Academy was £160,266 (2015: surplus £154,717).

2.2 INVESTMENTS

(i) Subsidiary undertakings

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. There is no readily available market value and the cost of valuation exceeds the benefit derived.

3. VOLUNTARY INCOME

	Unrestricted funds £	Restricted funds £	31.8.16 Total funds £	31.8.15 Total funds £
Donations	-	-	-	-
Grants	-	26,773	26,773	282,653
School Trips	-	76,488	76,488	60,962
Other grants & payments	-	25,643	25,643	49,597
	-	128,904	128,904	393,212

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

	31.8.16 £	31.8.15 £
Capital Grants	26,773	282,653
	26,773	282,653

4. OTHER TRADING ACTIVITIES

	Unrestricted funds £	Restricted funds £	31.8.16 Total funds £	31.8.15 Total funds £
Lettings	-	-	-	1,750
Recharges of staff to other organisations	37,791	-	37,791	-
Catering income	13,994	-	13,994	8,652
Nursery income	35,932	-	35,932	38,608
Other	226,595	-	226,595	230,609
	314,312	-	314,312	279,619

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 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.

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
CHARITY TRADING INCOME				
HMFA Enterprises Limited - income	174,137	-	174,137	162,279
FUNDRAISING TRADING EXPENSES				
HMFA Enterprises Limited - Cost of Sales	23,835	-	23,835	68,427
HMFA Enterprises Limited - administration expenses	146,011	-	146,011	93,677
	169,846	-	169,846	162,104
Net income from trading activities	4,291	-	4,291	175

5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY (continued)

Included within income is £165 from HMFA (2015: nil) and expenditure including covenant of £49,666 (2015: £78,197) which have been eliminated on consolidation.

6. INVESTMENT INCOME

	Unrestricted funds £	Restricted funds £	31.8.16 Total funds £	31.8.15 Total funds £
Deposit account interest	-	-	-	43

7. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £	Restricted funds £	31.8.16 Total funds £	31.8.15 Total funds £
DfE/EFA revenue grant				
General Annual Grant (GAG)	-	2,913,554	2,913,554	2,902,021
Other DfE/YPLA Grants	-	511,977	511,977	465,078
	-	3,425,531	3,425,531	3,367,099
Other government grant				
Other Government Grants	-	41,613	41,613	37,001
	-	3,467,144	3,467,144	3,404,100

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Education	-	3,310,919	3,310,919	3,302,785
Nursery	-	156,225	156,225	101,315
	-	3,467,144	3,467,144	3,404,100

8. RESOURCES EXPENDED

	Staff costs £	Non-pay expenditure Premises £	Other costs £	31.8.16 Total £	31.8.15 Total £
Charitable activities					
Academies educational operations					
Fundraising expense & other costs	-	-	120,180	120,180	81,507
Direct costs	2,403,946	62,763	535,351	3,002,060	2,870,985
Allocated support costs	490,314	163,577	290,204	944,095	969,590
	2,894,260	226,340	945,735	4,066,335	3,922,082

Notes to the Financial Statements - continued
for the Year Ended 31 August 2016

8. RESOURCES EXPENDED - continued

Net resources are stated after charging/ (crediting):

	Group 31.08.16 £	Group 31.08.16 £	Academy 31.08.16 £	Group 31.08.15 £
Auditors' remuneration	12,295	15,187	18,540	20,940
Depreciation - owned assets	218,450	220,155	191,609	191,899
Operating leases	<u>17,167</u>	<u>17,167</u>	<u>13,262</u>	<u>13,262</u>

No Governors received reimbursement of expenses in the current or previous year.

Included within expenditure are the following transactions.

	2016 Total £	2015 Total £	Individual items above £5,000 2015 Amount £	Reason
Compensation payments	nil	25,000	25,000	Staff re-organisation

The legal authority sought to make ex-gratia payments in accordance with the Academies Financial Handbook, being delegated authority or approval from the Education Funding Agency.

9. RESOURCES EXPENDED FROM CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £	Restricted funds £	31.8.16 Total funds £	31.8.15 Total funds £
Direct costs	269,429	2,732,631	3,002,060	2,870,985
Support costs	<u>78,117</u>	<u>865,978</u>	<u>944,095</u>	<u>969,590</u>
	<u>347,546</u>	<u>3,598,609</u>	<u>3,946,155</u>	<u>3,840,575</u>

	31.8.16 Total £	31.8.15 Total £
Analysis of support costs		
Support staff costs	490,314	472,827
Depreciation	8,575	10,036
Premises costs	163,577	188,010
Other support costs	268,343	277,643
Governance costs	<u>13,286</u>	<u>21,074</u>
Total support costs	<u>944,095</u>	<u>969,590</u>

ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Education	267,772	3,483,920	3,751,692	3,726,461
Nursery	<u>79,774</u>	<u>114,689</u>	<u>194,463</u>	<u>114,114</u>
	<u>347,546</u>	<u>3,598,609</u>	<u>3,946,155</u>	<u>3,840,575</u>

ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff Costs 2016 £	Premises 2016 £	Other Costs 2016 £	Total Costs 2016 £	Total Costs 2015 £
Education	2,804,737	211,141	735,814	3,751,692	3,726,461
Nursery	174,508	15,199	4,756	194,463	114,114
CHARITABLE ACTIVITIES	2,979,245	226,340	740,570	3,946,155	3,840,575

10. 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 2015 was as follows:

			2016	2015
P Box	Headteacher & Trustee	Remuneration	£110,000 - £115,000	£110,000 - £115,000
		Er Pension		
		Contributions	£15,000 - £20,000	£10,000 - £15,000
P Whitcombe	Headteacher & Trustee	Remuneration	£110,000 - £115,000	£110,000 - £115,000
		Er Pension		
		Contributions	£15,000 - £20,000	£10,000 - £15,000
J McColl	Staff Trustee	Remuneration	£45,000 - £50,000	£40,000 - £45,000
		Er Pension		
		Contributions	£5,000 - £10,000	£5,000 - £10,000
N Jones	Staff Trustee	Remuneration	£45,000 - £50,000	£40,000 - £45,000
		Er Pension		
		Contributions	£5,000 - £10,000	£5,000 - £10,000
H Field	Staff Trustee	Remuneration	£20,000 - £25,000	£15,000 - £20,000
		Er Pension		
		Contributions	£0 - £5,000	£0 - £5,000

Governors' expenses

There were no governors' expenses paid for the year ended 31 August 2016 nor for the year ended 31 August 2015.

11. STAFF COSTS

	31.8.16	31.8.15
	£	£
Wages and salaries	2,343,730	2,257,914
Social security costs	153,013	145,141
Other pension costs	<u>390,363</u>	<u>362,629</u>
	2,887,106	2,765,684
Compensation payments	-	25,000
Termination payments	<u>7,154</u>	-
	<u><u>2,894,260</u></u>	<u><u>2,790,684</u></u>
GROUP		
	31.8.16	31.8.15
	£	£
Wages and salaries	2,428,715	2,291,123
Social security costs	153,013	145,410
Other pension costs	<u>390,363</u>	<u>362,629</u>
	2,972,091	2,799,162
Compensation payments	-	25,000
Termination payments	<u>7,154</u>	-
	<u><u>2,979,245</u></u>	<u><u>2,824,162</u></u>

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling nil (2015: £25,000). Individually, the payments were: nil (2015:£25,000).

Statutory / contractual staff severance payments

Included within staff restructuring costs are contractual termination payments totalling £7,154 (2015: nil)

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

	GROUP		ACADEMY	
	31.8.16	31.8.15	31.8.16	31.8.15
Teachers	30	27	30	27
Administration and support	53	41	49	37
Management	<u>11</u>	<u>15</u>	<u>11</u>	<u>15</u>
	<u><u>94</u></u>	<u><u>83</u></u>	<u><u>90</u></u>	<u><u>79</u></u>

The number of employees whose emoluments fell within the following bands was:

	31.8.16	31.8.15
£70,001 - £80,000	-	1
£110,001 - £120,000	<u>2</u>	<u>2</u>
	<u><u>2</u></u>	<u><u>3</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 £779,793 (2015: £715,181).

12. 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 (2015: £5,000,000) on any one claim and the cost for the year ended 31 August 2016 are included within total insurance costs.

13. COMPARATIVES FOR THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	General Fund £	Restricted Fixed Assets Fund £	Restricted General Fund £	Total funds £
INCOME AND ENDOWMENTS FROM				
Donations and capital grants	-	282,653	110,559	393,212
Charitable activities				
Funding for the academy's educational operations	-	19,398	3,384,702	3,404,100
Other trading activities	279,619	-	-	279,619
Investments	43	-	-	43
Total	279,662	302,051	3,495,261	4,076,974
EXPENDITURE ON				
Charitable activities				
Academy's educational operations	11,173	191,609	3,637,793	3,840,575
Other expenditure	81,507	-	-	81,507
Total	92,680	191,609	3,637,793	3,922,082
NET INCOME/(EXPENDITURE)	186,982	110,442	(142,532)	154,892
Transfers between funds	-	12,482	(12,482)	-
Other recognised gains/(losses)				
Actuarial gains/(losses) on defined benefit schemes	-	-	(58,000)	(58,000)
Net movement in funds	186,982	122,924	(213,014)	96,892
RECONCILIATION OF FUNDS				
Total funds brought forward	212,778	3,980,721	(580,897)	3,612,602
TOTAL FUNDS CARRIED FORWARD	399,760	4,103,645	(793,911)	3,709,494

14. 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 the following basis:

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

Notes to the Financial Statements - continued
for the Year Ended 31 August 2016

14. CENTRAL SERVICES (continued)

The actual amounts charged during the year were as follows:

	2016 £000
Lord Scudamore Primary Academy	29
Sutton Primary Academy	9
Kings Caple Academy	<u>3</u>
	<u>41</u>

15. TANGIBLE FIXED ASSETS

	Freehold property £	Long Leasehold £	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Totals £
GROUP COST						
At 1 September 2015	1,960,482	2,100,725	611,863	50,181	114,960	4,838,211
Additions	<u>-</u>	<u>14,000</u>	<u>15,444</u>	<u>-</u>	<u>15,217</u>	<u>44,661</u>
At 31 August 2016	<u>1,960,482</u>	<u>2,114,725</u>	<u>627,307</u>	<u>50,181</u>	<u>130,177</u>	<u>4,882,872</u>
DEPRECIATION						
At 1 September 2015	117,063	147,766	192,796	36,000	72,467	566,092
Charge for year	<u>27,744</u>	<u>35,019</u>	<u>123,786</u>	<u>8,575</u>	<u>25,031</u>	<u>220,155</u>
At 31 August 2016	<u>144,807</u>	<u>182,785</u>	<u>316,582</u>	<u>44,575</u>	<u>97,498</u>	<u>786,247</u>
NET BOOK VALUE						
At 31 August 2016	<u>1,815,675</u>	<u>1,931,940</u>	<u>310,725</u>	<u>5,606</u>	<u>32,679</u>	<u>4,096,625</u>
At 31 August 2015	<u>1,843,419</u>	<u>1,952,959</u>	<u>419,067</u>	<u>14,181</u>	<u>42,493</u>	<u>4,272,119</u>
ACADEMY COST						
At 1 September 2015	1,960,482	2,100,725	608,392	50,181	114,960	4,834,740
Additions	<u>-</u>	<u>14,000</u>	<u>12,919</u>	<u>-</u>	<u>15,217</u>	<u>42,136</u>
At 31 August 2016	<u>1,960,482</u>	<u>2,114,725</u>	<u>621,311</u>	<u>50,181</u>	<u>130,177</u>	<u>4,876,876</u>
DEPRECIATION						
At 1 September 2015	117,063	147,766	192,506	36,000	72,467	565,802
Charge for year	<u>27,744</u>	<u>35,019</u>	<u>122,081</u>	<u>8,575</u>	<u>25,031</u>	<u>218,450</u>
At 31 August 2016	<u>144,807</u>	<u>182,785</u>	<u>314,587</u>	<u>44,575</u>	<u>97,498</u>	<u>784,252</u>
NET BOOK VALUE						
At 31 August 2016	<u>1,815,675</u>	<u>1,931,940</u>	<u>306,724</u>	<u>5,606</u>	<u>32,679</u>	<u>4,092,624</u>
At 31 August 2015	<u>1,843,419</u>	<u>1,952,959</u>	<u>415,886</u>	<u>14,181</u>	<u>42,493</u>	<u>4,268,938</u>

Included in cost or valuation of land and buildings is freehold land of £923,057 (2015: £923,057) held by the academy. Within the net book value of fixtures and fittings above is £4,001 (2015: £3,181) which relates to the assets of HMFA Enterprises Ltd.

16. FIXED ASSET INVESTMENTS

ACADEMY COST	Shares in group undertakings
At 1 September 2015 and 31 August 2016	£
	<u>1</u>
 NET BOOK VALUE	
At 31 August 2016	<u>1</u>
At 31 August 2015	<u>1</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 outside school care and activities

Class of share:		%		
Ordinary		holding		
		100		
	31.8.16		31.8.15	
	£		£	
Aggregate capital and reserves	4,467		176	
Profit for the year	<u>4,291</u>		<u>175</u>	

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Academy	
	31.8.16	31.8.15	31.8.16	31.8.15
	£	£	£	£
Trade debtors	7,950	27,037	5,172	11,452
Amounts owed by group undertakings	-	-	36,665	44,029
Other debtors	-	24,127	-	24,127
VAT	35,359	51,370	35,359	51,370
Prepayments and accrued income	<u>69,355</u>	<u>82,903</u>	<u>68,934</u>	<u>81,077</u>
	<u>112,664</u>	<u>185,437</u>	<u>146,130</u>	<u>212,055</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Academy	
	31.8.16	31.8.15	31.8.16	31.8.15
	£	£	£	£
Trade creditors	104,924	167,184	104,924	167,184
Social Security and other taxes	50,328	45,482	50,328	41,903
Other creditors	48,792	44,760	48,792	46,566
Accruals and deferred income	112,938	110,249	103,736	108,279
Accrued expenses	11,695	38,231	10,034	16,873
	<u>328,677</u>	<u>405,906</u>	<u>317,814</u>	<u>380,805</u>

DEFERRED INCOME

	GROUP	ACADEMY
	£	£
Deferred Income at 1 September	110,249	108,279
Resources deferred in the year	112,938	103,736
Amounts released from previous years	<u>(110,249)</u>	<u>(108,279)</u>
Deferred Income at 31 August 2016	<u>112,938</u>	<u>103,736</u>

Income has been deferred based on the period to which it relates

ACADEMY

£12,083	(2015: £11,996)	has been deferred in relation to Devolved Formula Capital income
£5,716	(2015: £5,930)	has been deferred in relation to Capital Maintenance Grant
Nil	(2015: £5,932)	has been deferred in relation to Universal Infant Free School Meals Capital Income
£76,094	(2015: £77,763)	has been deferred in relation to Universal Infant Free School Meals Revenue Income
Nil	(2015: £6,658)	has been deferred in relation to National Lottery Food Grant Catering Income
£4,781	(2015: Nil)	has been deferred in relation to Rates Relief Funding Income
£2,598	(2015: Nil)	has been deferred in relation to LAC Pupil Premium Income
£1,425	(2015: Nil)	has been deferred in relation to Nurture Group Grant Income
£1,024	(2015: Nil)	has been deferred in relation to Milk Income for the Autumn term 2016/17
£15	(2015: Nil)	has been deferred in relation to breakfast club income at Kings Caple Academy
<u>£103,736</u>	<u>£108,279</u>	
GROUP		
£9,202	(2015: £1,970)	has been deferred in relation to childrens club income
<u>£112,938</u>	<u>£110,249</u>	

19. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:	Other operating leases	31.8.16	31.8.15
		£	£
Expiring:			
Within one year		1,405	625
Between one and five years		75,345	42,273
		<u>76,750</u>	<u>42,898</u>

20. ANALYSIS OF CONSOLIDATED NET ASSETS BETWEEN FUNDS

		Restricted	Restricted	31.8.16	31.8.15
	General Fund	Fixed Assets	General Fund	Total funds	Total funds
	£	Fund	£	£	£
Fixed assets	4,001	4,092,624	-	4,096,625	4,272,119
Investments	-	-	-	-	-
Current assets	359,171	49,759	303,641	712,571	723,281
Current liabilities	(116,826)	-	(211,851)	(328,677)	(405,906)
Pension liability	-	-	(1,577,000)	(1,577,000)	(880,000)
	<u>246,346</u>	<u>4,142,383</u>	<u>(1,485,210)</u>	<u>2,903,519</u>	<u>3,709,494</u>

21. MOVEMENT IN FUNDS (GROUP)

	At 1.9.15	Net movement	Transfers	At 31.8.16
	£	in funds	between funds	£
		£	£	
Unrestricted funds	399,760	(153,414)	-	246,346
Restricted funds				
General Annual Grant	83,045	238,427	(265,765)	55,707
Other DfE/YPLA Grants	(19,032)	(2,021)	21,053	-
Other restricted	22,076	(287)	14,294	36,083
Restricted Pension Reserve	(880,000)	(697,000)	-	(1,577,000)
DfE/YPLA capital grants	272,476	22,888	64,563	359,927
Fixed Assets on Conversion	3,831,169	(83,090)	(14,144)	3,733,935
Fixed Assets funded by GAG	-	(131,478)	179,999	48,521
	<u>3,309,734</u>	<u>(652,561)</u>	<u>-</u>	<u>2,657,173</u>
TOTAL FUNDS	<u>3,709,494</u>	<u>(805,975)</u>	<u>-</u>	<u>2,903,519</u>

21. MOVEMENT IN FUNDS (GROUP) - continued

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

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds	314,312	(467,726)	-	(153,414)
Restricted funds				
General Annual Grant	2,913,555	(2,675,128)	-	238,427
Other DfE/YPLA Grants	511,976	(513,997)	-	(2,021)
Other restricted	143,744	(144,031)	-	(287)
DfE/YPLA capital grants	26,773	(3,885)	-	22,888
Restricted Pension Reserve	-	(47,000)	(650,000)	(697,000)
Fixed Assets on Conversion	-	(83,090)	-	(83,090)
Fixed Assets funded by GAG	-	(131,478)	-	(131,478)
	<u>3,596,048</u>	<u>(3,598,609)</u>	<u>(650,000)</u>	<u>(652,561)</u>
TOTAL FUNDS	<u><u>3,910,360</u></u>	<u><u>(4,066,335)</u></u>	<u><u>(650,000)</u></u>	<u><u>(805,975)</u></u>

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

Restricted General Funds

General Annual Grant - Income from the EFA 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 2016.

Other DfE/YPLA Grants - Other grant income from the EFA, 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.

21. MOVEMENT IN FUNDS - continued

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

Unrestricted Funds

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

	31.8.16	31.8.15
	£	£
Unrestricted fund of HMFA	241,880	399,585
Reserves of HMFA Enterprises Ltd	<u>4,466</u>	<u>175</u>
	<u>246,346</u>	<u>399,760</u>

CONSOLIDATED ANALYSIS OF ACADEMIES BY FUND BALANCE

**Total
£**

Fund balances at 31 August 2016 were allocated as follows:

Lord Scudamore Academy	365,559
Sutton Primary Academy	(23,074)
Kings Caple Academy	<u>(8,815)</u>
Total before fixed assets and pension reserve	<u><u>333,670</u></u>
Restricted Fixed Asset Fund	4,142,383
Pension reserve	(1,577,000)
Reserves of subsidiary	<u>4,466</u>
Total	<u><u>2,903,519</u></u>

21. MOVEMENT IN FUNDS - continued

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	Total
	£	£	£	£	£
Lord Scudamore Academy	1,801,265	355,038	165,775	428,732	2,750,810
Sutton Primary Academy	414,935	88,088	29,897	138,287	671,207
King Caple Academy	<u>187,747</u>	<u>47,187</u>	<u>17,371</u>	<u>53,545</u>	<u>305,850</u>
	<u>2,403,947</u>	<u>490,313</u>	<u>213,043</u>	<u>620,564</u>	<u>3,727,867</u>

Transfers between funds

During the year £230,420 has been transferred from the General Annual Grant Fund to the various restricted fixed asset funds to reflect the historic capital purchases and depreciation that had been allocated or paid from GAG funds.

During the year, £35,346 has been transferred from the General Annual Grant Fund to Other DfE and Other Restricted Funds to truly reflect the closing balances of these funds.

22. PENSION AND SIMILAR OBLIGATIONS

The group'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 [name]. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013

Contributions amounting to £48,951 (2015: £45,261) were payable to the schemes at 31 August 2016 and are included within creditors.

Teachers' pension scheme
Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

Valuation of the Teachers' Pension Scheme (continued)

The key elements of the valuation and subsequent consultation are:

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS was at March 2016, whereupon the employer contribution rate will be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £248,604 (2015: £215,602).

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local government pension scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £197,000 (2015: £188,000), of which employer's contributions totalled £154,000 (2015: £147,000) and employees' contributions totalled £43,000 (2015: £41,000). The agreed contribution rates for future years are 11.3 per cent for employers and 5.5 - 9.5 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 amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	31.8.16	31.8.15
	£	£
Present value of funded obligations	(2,512,000)	(1,493,000)
Fair value of plan assets	<u>935,000</u>	<u>613,000</u>
	<u>(1,577,000)</u>	<u>(880,000)</u>
Deficit	(1,577,000)	(880,000)
Liability	<u>(1,577,000)</u>	<u>(880,000)</u>

22. PENSION AND SIMILAR OBLIGATIONS
- continued

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

	Defined benefit pension plans	
	31.8.16	31.8.15
	£	£
Current service cost	165,000	151,000
Interest cost	33,000	28,000
Administration expenses	3,000	3,000
	<u>201,000</u>	<u>182,000</u>
Actual return on plan assets	<u>141,000</u>	<u>-</u>

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

	Defined benefit pension plans	
	31.8.16	31.8.15
	£	£
Defined benefit obligation	(1,493,000)	(1,221,000)
Current service cost	(165,000)	(151,000)
Contributions by scheme participants	(43,000)	(41,000)
Interest cost	(61,000)	(49,000)
Actuarial losses/(gains)	(763,000)	(37,000)
Benefits paid	13,000	6,000
	<u>(2,512,000)</u>	<u>(1,493,000)</u>

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

	Defined benefit pension plans	
	31.8.16	31.8.15
	£	£
Fair value of scheme assets	613,000	434,000
Contributions by employer	154,000	147,000
Contributions by scheme participants	43,000	41,000
Expected return	28,000	21,000
Actuarial gains/(losses)	113,000	(21,000)
Benefits paid	(13,000)	(6,000)
Administration expenses	(3,000)	(3,000)
	<u>935,000</u>	<u>613,000</u>

22. PENSION AND SIMILAR OBLIGATIONS
- continued

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

	Defined benefit pension plans	
	31.8.16	31.8.15
	£	£
Actuarial gains/(losses)	(650,000)	(58,000)
	<u>(650,000)</u>	<u>(58,000)</u>

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

	Defined benefit pension plans	
	31.8.16	31.8.15
Equities	83.4%	89.3%
Government bonds	0%	0.1%
Bonds	6.3%	6.1%
Cash/liquidity	2.3%	1%
Other	3.5%	3.5%
Property	4.5%	0%

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

	31.8.16	31.8.15
Discount rate	2.2%	4%
Future salary increases	3.4%	3.8%
Future pension increases	2%	2.3%
Inflation assumption (CPI)	1.9%	2.3%

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

	31.8.16	31.8.15
Retiring today		
Males	23.5	23.4
Females	25.9	25.8
Retiring in 20 years		
Males	25.8	25.6
Females	28.2	28.1

Amounts for the current and previous period are as follows:

	31.8.16	31.8.15
	£	£
Defined benefit pension plans		
Defined benefit obligation	(2,512,000)	(1,493,000)
Fair value of scheme assets	935,000	613,000
Deficit	(1,577,000)	(880,000)
Experience adjustments on scheme assets	-	(34,000)

The Academy expects to contribute £155,000 (2015: £149,000) to its Defined benefit pension scheme in 2017.

23. CAPITAL COMMITMENTS

During the year the trust took on an operating lease to commence in September 2016 in relation to a mobile classroom facility at Sutton Primary Academy. The total lease payment arrangement is £46,800 over three years.

24. RELATED PARTY DISCLOSURES

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

During the 12 month period to 31 August 2016 payments totalling £14,123 (2015: £16,760) and receipts totalling £nil (2015: £15,000) to/from Activate Educational Ltd, a company in which P Box and P Whitcombe are directors for the provision of staff training. At the year-end no balance (2015: £297) was due to Activate Educational Ltd.

During the 12 month period to 31 August 2016 payments totalling £nil (2015: £nil) and receipts totalling £nil (2015: £1,750) to/from Calon Solutions, a company in which P Box, P Whitcombe and K P Smith are directors for the provision of staff training. No balance was due to or from Calon Solutions at the beginning or end of the year.

During the 12 month period to 31 August 2016 payments totalling £nil (2015: £nil) and receipts totalling £13,149 (2015: £14,017) to/from Canon Pyon CE Academy, a company which is part of the wider Federation. At the year-end no balance (2015: £1,446) was due from Canon Pyon CE Academy.

During the 12 month period to 31 August 2016 payments totalling £55 (2015: £3,954) and receipts totalling £14,765 (2015: £14,812) to/from Llangrove CE Academy, a company which is part of the wider Federation. At the year end £143 (2015: £1,282) was due from Llangrove CE Academy.

During the 12 month period to 31 August 2016 payments totalling £nil (2015: £2,656) and receipts totalling £15,642 (2015: £15,800) to/from Marden Primary Academy, a company which is part of the wider Federation. At the year end a balance of £105 (2015: £1,375) was due from Marden Primary Academy.

During the 12 month period to 31 August 2016 payments totalling £nil (2015: £360) and receipts totalling £13,492 (2015: £12,544) to/from St Weonards Primary Academy, a company which is part of the wider Federation. At the year end a balance of £143 (2015: £1,323) was due from St Weonards Primary Academy.

During the 12 month period to 31 August 2016 payments totalling £1,465 (2015: £nil) were paid to the School Uniform Shop, a company owned by Luke Conod (governor), none of which was outstanding at year end.

During the 12 month period to 31 August 2016 payments totalling £891 (2015: £nil) and receipts totalling £400 (2015: £1,483) were paid to/from Pippins Pre-School, a company in which Janet McColl (governor) is a director. At the year end a balance of £491 was due to Pippins Pre-School (2015: £1,483 due from Pippins Pre-School).

25. ULTIMATE CONTROLLING PARTY

Due to the nature of entity, there is no overall controlling party.

26. FIRST YEAR ADOPTION

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

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/ (expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of total funds	Notes	1 September 2014 £'000	31 August 2015 £'000
Total funds under previous UK GAAP		3,613	3,709
Change in recognition of LGPS interest cost	A	-	-
Total funds reported under FRS 102		<u>3,613</u>	<u>3,709</u>

Reconciliation of net income / (expenditure)	Notes	31 August 2015 £'000
Net income/(expenditure) previously reported under UK GAAP		168
Change in recognition of LGPS interest cost	A	<u>(13)</u>
Net movement in funds reported under FRS 102		155

A - Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit/debit to income/expense by £13,000 and increase the credit/debit in other recognised gains and losses in the Sofa by an equivalent amount.

Transitional relief

As a result of transition to FRS102, no items of transitional relief were applicable to Herefordshire Marches Federation of Academies.