



HALES VALLEY TRUST

**Hales Valley Trust
(A Company Limited by Guarantee)
Annual Report and Financial Statements
Period ended 31 August 2017**

**Company Registration Number:
10476114 (England and Wales)**

**Period of account
1 February 2017 - 31 August 2017**

Contents

Item	Page
Reference and Administrative Details	1
Trustees' Report	2
Governance Statement	13
Statement on Regularity, Propriety and Compliance	16
Statement of Trustees' Responsibilities	17
Independent Auditor's Report on the Financial Statements	19
Independent Reporting Accountant's Report on Regularity	21
Statement of Financial Activities incorporating Income & Expenditure Account	23
Balance Sheet	24
Statement of Cash Flows	25
Notes to the Financial Statements, incorporating:	
Statement of Accounting Policies	26
Other Notes to the Financial Statements	30

Reference and administrative details For the period ended 31 August 2017

Members:

George Craig (Chair)
Tracy Ruddle
Michael Wilkes
Brett Field
Derek Baillie

Trustee:

George Craig (Chair)
Mark Simpson (Vice Chair)
Jeannette Mackinney
Diane Morrison
Christopher James
Robert Gregory
Rebecca Cox

Company secretary:

George Craig

Senior leadership Team:

Chief Executive Officer – Jeannette Mackinney
Chief Finance Officer – Tracey Brown

Bankers:

Lloyds Bank
3 Queen Square
Wolverhampton
WV1 1RF

Solicitors:

Browne Jacobson
Victoria House
Victoria Square
Birmingham
B2 4BU

Independent Auditor:

BSN Associates Limited
3B Swallow field Courtyard
Wolverhampton Road
Oldbury
West Midlands
B69 2JG

Company Name and Registered Office:

Hales Valley Trust
C/O Lutley Primary School
Brookwillow Road
Halesowen
West Midlands
B63 1BU

Company Registration Number: 10476614



Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 February 2017 to 31 August 2017. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The Multi Trust Academy (or the "Trust") operates 3 primary schools for pupils aged 0 to 11, serving the catchment area of Dudley. It currently has a pupil capacity of 1,365 and had a roll of 1,302 in the 2017 school census.

Structure, Governance and Management

Constitution

The Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. The Trustees of Hales Valley Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Hales Valley Trust. Details of the Trustees who served during the period are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' Indemnities

A Trustee may benefit from any indemnity insurance purchased at the Trust's expense to cover the liability of the Trustees 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 Trust. This is provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was breach of trust or breach of duty or not and provided that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as directors of the Trust.

The Trustees have liability insurance under the Risk Protection Arrangement (RPA) for academy trusts. There is a limit of indemnity of £10,000,000.

Method of Recruitment and Appointment or Election of Trustees

The Trust Incorporated on 14 November 2016. Members and Trustee recruitment for Hales Valley Trust was achieved by actively recruiting those with the skills knowledge and experience from other charitable companies in the education sector.

The Members may appoint up to a total of 7 Trustees by ordinary resolution, with the total number of Trustees (including the Chief Executive Officer) who are employees of the Trust not exceeding one third of the total number of Trustees. The Members appointed the Chief Executive Officer as a Trustee by ordinary resolution upon incorporation (14 November 2016). Any future Trustee appointments by the Members would be expected to take place at a meeting of the Members or by written resolution. The term of office for any Trustee shall be four years, however this time limit shall not apply to any post which is held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected at a General Meeting.

Trustees' Report

For the period ended 31 August 2017

Method of Recruitment and Appointment or Election of Trustees (*continued*)

The Members may either pass a special resolution in writing (i.e. a 75% majority vote) or a written unanimous resolution to appoint additional Members and to remove any such additional Members, provided that such appointment or removal is in the best interests of the Trust. The Members may also agree to remove any Member who was a signatory to the Memorandum (if the Member concerned is not required) and provided such removal is in the best interests of the Trust.

Policies and Procedures Adopted for the Induction and Training of Trustee

Upon appointment, all new Trustees and Members were provided with documents relating to their role. This included information relating to the schools and services within The Trust. The Trust follows the same training and induction procedures for all new Trustees.

All Members and Trustees received the link to the Academies Financial Handbook or a hard copy of the most up to date version, the calendar for submissions to ESFA and the up to date Governance Handbook issued by the DFE. Documentation was made available and papers distributed requesting information that requires Members and Trustees to declare any business and pecuniary interest in their work within The Trust. A skills matrix is undertaken by each new Trustee, to ensure all new Trustees have an appropriate skillset and to identify any training requirements. Furthermore, a full Governor support pack is purchased from the Local Authority of Dudley.

Members and Trustees were made aware of, and booked onto, local and national training events of relevance to them including training on General Data Protection Regulations readiness, DFE update sessions from Academy Ambassadors and legal updates from Browne Jacobson Solicitors, who also prepared and distributed a briefing pack for the Trustees. All Members and Trustees receive electronic updates from key agencies in order to keep The Trust compliant and work efficiently and effectively.

Organisational structure

Members appoint Trustees, delegate policies and procedures to the Board of Trustees, undertake the duties for Financial responsibility as described in the Academies Financial Handbook, review the Articles of Association and schemes of Delegation to ensure regularity within the Academy Trust, approve The Annual Accounts return and the Audited Financial Statements.

Trustees have defined roles as described in the Statement of Trustee responsibilities, see page 17.

At school level each school is advised by a **Local Governing Body ("LGB")**. LGBs are approved and appointed by the Board of Trustees. Parent and staff representation is sought for the LGBs along with other members with appropriate skills, knowledge and experience. Quorum shall be half of the LGB rounded down. Meetings are held at least termly with all operating meetings scheduled half termly. Local Governing Body have powers conferred upon them as in the Scheme of Delegation.

The Chief Executive Officer is appointed as The Accounting Officer in the Multi Academy Trust and is a paid employee.

The Chief Finance Officer is neither a Member nor a Trustee and is a paid employee.



Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

Organisational structure (*continued*)

The current scheme of Financial Delegation is as follows:

School Finance Officer: up to £300

School Business Manager: £300.01 - £3,000

MAT School Business Director: £3,000.01 - £10,000

Chief Executive Officer: £10,000.01-£15,000

Requisitions over £15,000 and up to £25,000 must be approved by the Chair of the relevant Local Academy Committee or Headteacher and referred for authorisation. They can then be authorised by the Chief Executive Officer. Requisitions over £25,000 require approval by the Business Director and Chair of the Academy Committee before being passed to the MAT Chief Executive Officer for Board approval.

The Members will assume overall responsibility for the Trust. A Board Member will also be part of the Board of Directors (The Trustees)

The Board of Trustees will be responsible for strategic direction and the smooth running of the Trust. They will be responsible for outcomes of all schools within the Trust. There is a nominated Trustee as the Chair of the Board.

Good and Outstanding schools within the Trust will have a Local Governing Body with responsibilities delegated to them by the Trustees. Schools in the Trust not achieving such status will have an Education Advisory Group set up, which may include existing Governors. This group will evolve into a Local Governing Board within 12 months,

The Raising Attainment Board will be chaired by the Chief Executive Officer and will ensure rigour and accountability for each school within the Trust. Good and Outstanding schools within the Trust will meet termly, other schools within the Trust will meet at least half termly. Special Measures Schools will meet with the Raising Attainment Board every two weeks until good progress can be demonstrated. The Chief Executive Officer is also a Trustee to ensure good communication between the Raising Attainment Board and the Local Governing Board and Education Advisory Group.

The Education Advisory Group will meet at least every half term and whenever required in order to ensure support is in place to ensure good process is being made at each school within the Trust.

An organigram of the organisational structure and responsibilities is given below:

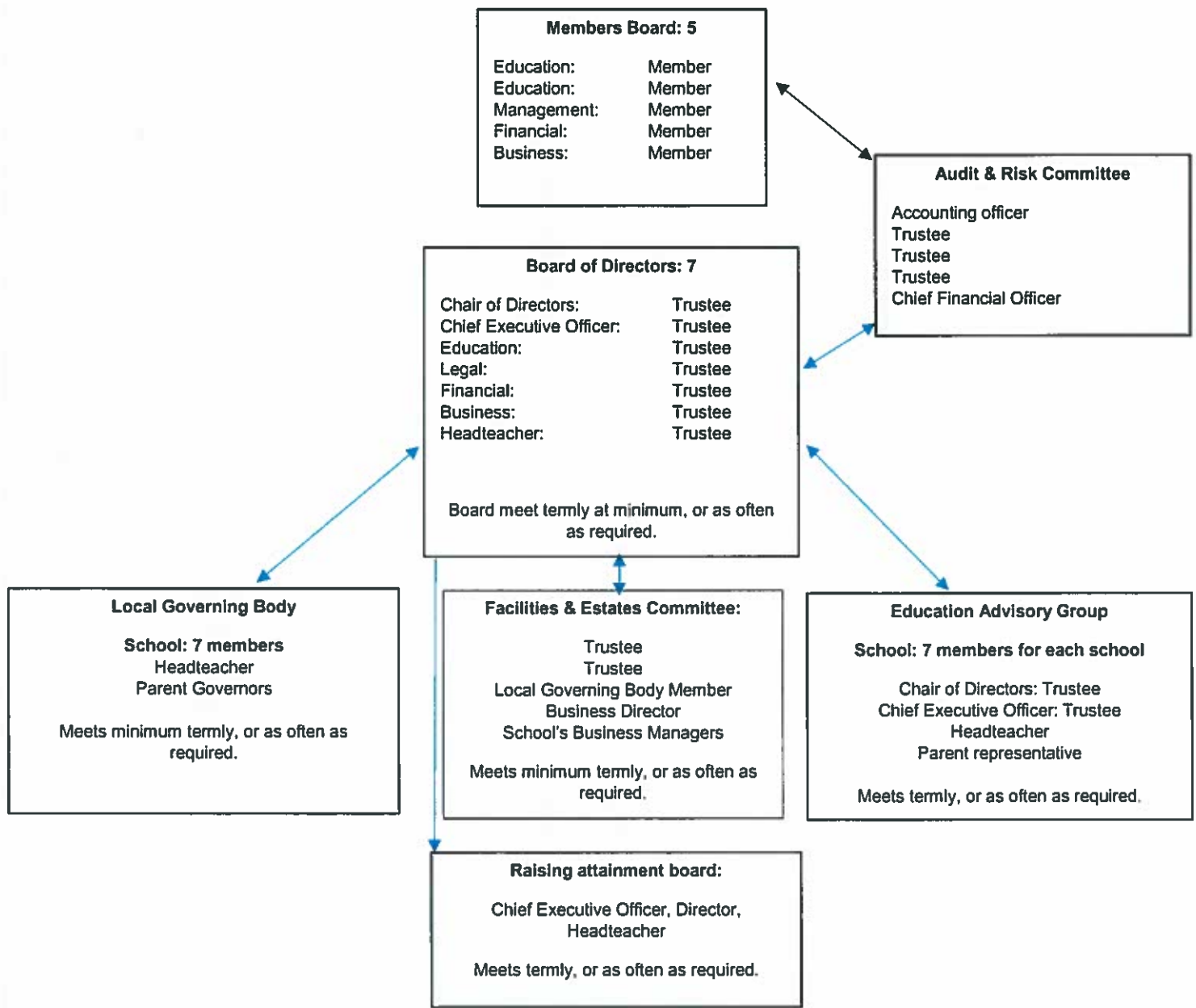


Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

Organisational structure (continued)



Trustees' Report

For the period ended 31 August 2017

Arrangements for setting pay and remuneration of key management personnel

There are 2 Trustees and no Members who are also employees of the Trust and are remunerated for their work.

The Trustees are responsible for setting the general policy, budget monitoring and making major decisions of the direction of the Trust including staffing appointment and expenditure relating to staff salaries.

Each school has its own head teacher for the day to day management of the school. Head teachers can request changes to staffing levels and have agreed authorisation limits and appointment of staff from the Trustees. All appointments are agreed from Trust level at each school.

The review of pay for key personnel is carried out by the Trustees and the Pay Committee of that school and ratified by their Local Governing Body in line with the fixed group size and individual salary ranges.

The Trust has adopted a pay policy for teachers and agreed where performance is good point pay progressions are available to staff.

The Trust does not engage in any bonus or share schemes or any other additional remuneration or benefits other than salary for any of its employees.

All parties within the Trust are indemnified against Public and Employers liability claims through a policy procured at a cost to the Trust.

Members and Trustees are permitted to receive reimbursements for return journeys to and from Trustee and Board meetings at an agreed rate of 45p per mile subject to the submission of an approved claim form and receipt for any parking fees. Subsistence allowance is not paid by the Trust.

Related Parties and other Connected Charities and Organisations

The Chair of the Board (G Craig) provides educational consultancy and National Leader of Governance system leadership support to the Trust as part of the Trust's Teaching School. The arrangement with the Chair existed before The Trust was formed. The Trust ensures that the consultancy is provided at cost in order to be compliant with the Academies Handbook 2016.

A connected party of the Chief Executive Officer is employed by the Trust and is remunerated for the work they perform.

Further details of related parties and other connected organisations can be found in note 25 of the financial statements.

Aims, Strategies and Objectives

Our Trust aims for all schools in our partnership to be good or better. We want to ensure that no child, no teacher and no school gets left behind. We feel that as an Academy Trust we are able to work more creatively to best serve the needs of our children and our communities. We are able to use our staff in a more flexible and responsive manner – we share our expertise and grow our own teachers and leaders. We ensure that our staff have opportunities to grow within and across our Trust, ensuring that we retain our high levels of expertise and ensuring that our succession planning is secure.

The communities that we serve across the Trust encompass stakeholders from both affluent and disadvantaged families, drawn from a wide variety of ethnicities and religious backgrounds. Our ethos is one of inclusivity, promoting an equality of opportunity for every child across the Trust.

Trustees' Report

For the period ended 31 August 2017

Aims, Strategies and Objectives (*continued*)

We maximise the freedoms afforded to us by academisation through reinvesting any financial surplus to create additional benefits and opportunities for our children, developing leadership capacity and specific expertise, staff retention, new ideas for schemes of work, challenge to within-school variation, having a more systematic and cost effective sharing of professional development, sharing of resources to improve financial efficiencies and creating strength through alliance.

Teaching and learning

Our approach to teaching and learning is to apply a consistency of pedagogy across the Trust which ensures that all pupils achieve, feel secure enough to take risks and make mistakes, have high aspirations for learning and for the next phase of their education, have high self-expectations, promote independence, resilience, respect, tolerance, an open-minded world view, are happy and confident, develop independent and collaborative learning skills, have pride in our trust and community and know how they can successfully contribute to this.

Approach to improving schools in categories

A school that is in special measures or requires improvement can expect the following support:

- As a priority an audit of leadership and management and an audit of teaching, learning and assessment will be carried out to identify needs and specific support that will be rapidly put into place via a school improvement action plan. This plan will be evaluated every half term by the Raising Attainment Board and amendments and further support and challenge put into place as necessary;
- If necessary staff from across the Trust will be put into place to add leadership capacity;
- The school will then benefit from weekly support from the CEO as the school improvement adviser and weekly support from the Chair of Directors as the lead for the Education Advisory Group;
- Throughout the year they will have at least:
 - 10 days SLE support from across the Teaching School Alliance;
 - Access to a full programme of Continual Professional Development (CPD) support for teachers and teaching assistants;
 - Support for the office team via the Business Director; and
 - Access to the Newly Qualified Teachers induction programme and the Recently Qualified Teachers CPD programme.

Public Benefit

The Trustees consider that they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. The Trustees consider that the Trust's aims and objectives demonstrate that it acts to the benefit of the public. The Academy Trust refers to the Charity Commission public benefit guidance in setting its objectives and aims in planning future activities for the coming year.

The primary purpose of Hales Valley Trust is the advancement of education through its school and via the Teaching School. Hales Valley Trust also aims to provide support within the local area and wider community.

The Trust recognises that equal opportunities should be an integral part of good practice within the work place. They do this by creating an environment where contributions by all stakeholders are fully valued.

Trustees' Report

For the period ended 31 August 2017

Going Concern

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

Strategic Report

Achievements and Performance

The Trustees regularly reviews the performance of the Trust. As the Trust was only established in February 2017 we only have one set of national end of year data to evaluate and this will form the baseline for further evaluation with regards to educational impact.

Assessment information is shared with all schools across the Trust so that schools can benchmark their performance. Good practice is identified and shared and areas for development are also identified and form part of the Trust Improvement Plan, as well as its School's Improvement Plan.

The Trust has implemented a moderation programme across all the schools in the Trust in order to ensure that assessments are consistent and robust in Early Years Foundation Stage (EYFS), Key Stage 1 (KS1) and Key Stage 2 (KS2). The Trust is also implementing a new assessment package across all the schools in the Trust in order to ensure that assessments are recorded in a consistent way, thus supporting benchmarking.

The Trustees have evaluated progress by comparing 2017 results across all end of year outcomes to 2016 results to help identify where progress has been made in the very short time since the Trust has been formed:

EYFS and KS1 outcomes 2016 – 2017

HVT KS1 Data 2017		Reading		Writing		Maths		EYFS GLD		Y1 Phonics		RWM	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
National	% at expected	74	76	65	68	73	75	69	71	81	81		64
Lapal	% at expected	81	84	79	82	84	82	84	84	89	82		
Woodside	% at expected	70	66	64	54	72	61	59	65	74	68		
Hurst Hill	% at expected	82	81	74	78	82	86	68	70	86	67		
Lutley	% at expected	91	87	81	81	80	86	87	87	91	88		

	improved from 2016
	declined from 2016
	no change from 2016



Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

Achievements and Performance (continued)

KS2 outcomes 2016 - 2017

HVT KS2 Data 2017		Reading		Writing		Maths		SPAG		RWM	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
National	% at expected	66	71	74	76	70	75	73	77	53	61
	Floor	65	65	65	65	65	65	65	65		
	Progress		0		0		0				
	Floor		-5		-5		-7				
Lapal	% at expected	70	67	88	76	65	84	79	76	53	62
	Progress		-1.7		0.4		0.2				
Woodside	% at expected	33	54	73	79	48	51	54	71	27	37
	Progress		-1		2.9		-0.8				
Hurst Hill	% at expected	56	63	80	75	63	61	61	61	44	50
	Progress		-3.4		-0.1		-2.5				
Lutley	% at expected	77	78	84	95	75	85	91	90	62	77
	Progress		-2.7		2.9		-1.9				

	improved from 2016
	declined from 2016
	no change from 2016

Hurst Hill will join Hales Valley Trust on the 1st October 2017.



Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

Key Performance Indicators

Summer 2018 Outcomes

Good and Outstanding schools all outcomes will be at least in line with or above national expectations for:

- EYFS GLD
- Year 1 phonics
- Year 2 reading, writing and maths: at expected and greater depth
- Year 6 reading, writing and maths: at expected and exceeding

Schools in Special Measures or that Require Improvement will be at least in line with national expectations or improving from 2017 outcomes in:

- EYFS GLD
- Year 1 phonics
- Year 2 reading, writing and maths: at expected and greater depth
- Year 6 reading, writing and maths: at expected and exceeding

Attendance for all schools will be at least in line with or above national expectations.

Financial Review

Hales Valley Trust incorporated on 14 November 2016, and opened on the 1 February 2017 with two primary schools and a further primary school was acquired on 1 April 2017. This must be considered during the financial review as there are part period operations within the Trust.

The Trust's primary source of income is from central government funding mainly comprising of the General Annual Grant ("GAG") from the DFE which is funded from the Education and Skills Funding Agency ("ESFA") and is received monthly. Use of this funding is restricted to particular purpose. The grants received from these sources during the period up to 31 August 2017 and the associated expenditure are shown as Restricted General funds in the statement of Financial Activities.

The operating surplus (Restricted and unrestricted funds) for the period 1 February 2017– 31 August 2017 is £11,412,000. The operating surplus is the result of sound budget control procedures, which have been embedded in the Trust's daily financial management practice in accordance with the Academies Financial Handbook.

The Trust received a substantial Local Authority transfer on conversion carry forward from the previously maintained schools into the Academy Trust.

Reserves Policy

The Trust holds reserves to ensure that it can continue to operate and meet its objectives throughout the period. The Trustees consider the level of reserves appropriate for this purpose and review will them annually.

The level of reserves held as at 31 August 2017 was as follows:

Unrestricted funds for any use:	£662,000
Restricted local government pension scheme deficit ("LGPS"):	£(4,387,000)
Restricted general funds:	£(160,000)
Restricted fixed asset funds:	£15,296,000

Further information around the LGPS pension deficit can be found in note 24 to the accounts.

Trustees' Report

For the period ended 31 August 2017

Investment Policy

The Academy Trust has no material investments.

Principal risks and uncertainties

The Trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error. The principle risk areas are the protection of pupils, staff and assets as well as maintaining pupil numbers in order to manage the financial risks. Systems and procedures to minimise these are constantly being reviewed and updated.

1. *Governance or management*

Risk in this area can arise from lack in management of financial resources. Strong internal controls, effective policy that meets with national guidance is in place to minimise risk in this area along with training and induction, compliance with regulations and statutory returns and continuous reviews to ensure that the Trust mitigate any risk and ensures best value for our pupils at all times.

2. *Fraud and mis-management of funds*

The Trust appoints internal auditors to review and advise on all controls across the Trust. All finance and ICT based staff have attended Fraud training.

3. *Reputation*

The success of the Trust relies on its reputation to retain and increase its pupil numbers. To continue this the schools within the Trust needs to offer education of the highest standard.

The Trust has inherited a number of building related issues on the transfer of the school buildings:

- Woodside School has a Children's Centre building where certain provision needs to be maintained in order to fulfil the terms of the Sure Start grant;
- Lutley School is in need of classroom extensions in order to provide adequate learning spaces for the pupils;
- Lapal School is in need of hall refurbishment and classroom extensions in order to provide adequate learning spaces for the pupils;
- The Trust is due to be joined by 2 further schools on 1st October 2017 and 1st December 2017, ensuring that the Trust will be more financially stable.

Plans for Future Periods

The strategic plan for the Trust is growth, expanding the number of places available to ensure the provisions are available to educate children in and out of Dudley.

We will continuously improve our teaching and learning standards and practices to ensure that our provisions provide outstanding learning environments for our children.

Our centralised services will continue to grow and develop to enable us to ensure best value for all procurement in the interest of public spending.



Hales Valley Trust

Trustees' Report

For the period ended 31 August 2017

Auditor

In so far as the Trustees are aware:

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

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the Company Directors, on 7 December 2017 and signed on the Board's behalf by:


G Craig
Chair of Trustees



Hales Valley Trust

Governance statement

For the period ended 31 August 2017

Scope of responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Hales Valley Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 5 times during the period. Attendance during the period at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
George Craig (Chair)	5	5
Mark Simpson (Vice Chair)	5	5
Jeannette Mackinney	5	5
Diane Morrison	4	5
Christopher James	5	5
Robert Gregory	4	5
Rebecca Cox	4	5

Review of Value for Money

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

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

- continuing to develop strategies to raise education outcomes, through collaboration by sharing skills and expertise across the Trust and extending partnership working;
- organising support for assessment moderation practice across the Trust to ensure a more economical and effective model
- reviewing performance of central staff employed with financial responsibilities across the Trust;
- ensuring that the Trust's financial procedures have been implemented and embedded throughout the Trust ensuring that the schools are all appropriating value for money strategies;
- maintaining correct staffing levels throughout the Trust to ensure staffing is appropriate to each school and not as a result of legacy, monitoring natural wastage and ensuring the head teachers are replacing staff appropriately;
- continually reviewing and negotiating favourable service level agreements and contracts; and
- providing continued support to the head teachers and Local Governing Bodies and building on Trust development plans to achieve the benefits of sharing and pooling resources.

Governance statement

For the period ended 31 August 2017

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 Hales Valley Trust for the period 1 February 2017 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 February 2017 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

The Academy 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 setting and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the finance and general purposes 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; and
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has appointed Dudley Metropolitan Borough Council as the Trusts' 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:

- creation of a Risk Management Plan which was approved by the Trustees;
- requirement of all staff with financial responsibility to complete a BI form;
- draft plans for the audit and finance committees to be finalised in the 2018 year end; and
- creating permissions to manage segregation on the finance system, making some areas of the finance system inaccessible to certain users.

Governance statement For the period ended 31 August 2017

Review of Effectiveness

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

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

Approved by order of the members of the Board of Trustees on 7 December 2017 and signed on its behalf by:



G Craig
Chair of Trustees



J Mackinney
Accounting Officer

Statement on Regularity, Propriety and Compliance For the period ended 31 August 2017

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

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

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



**J Mackinney
Accounting Officer**

7 December 2017

Statement of Trustee's Responsibilities For the period ended 31 August 2017

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

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

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

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

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

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

Approved by order of the members of the Board of Trustees on 7 December 2017 and signed on its behalf by:



G Craig
Chair of Trustees

Independent Auditor's Report on the Financial Statements For the period ended 31 August 2017

Independent Auditor's Report on the Financial Statements to the members of Hales Valley Trust

Opinion on financial statements

We have audited the financial statements of Hales Valley Trust (the "Trust") for the period ended 31 August 2017 which comprise the Statement of Financial Activities incorporating income and expenditure account, the Balance Sheet, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2016 to 2017 published by the Education and Skills Funding Agency ("ESFA").

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable Trust's affairs as at 31 August 2017 and of its incoming resources, including its income and expenditure, for the period 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("Charities SORP (FRS 102)") and the Academy Accounts Direction 2016 to 2017 issued by the Education Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Independent Auditor's Report on the Financial Statements For the period ended 31 August 2017

Independent Auditor's Report on the Financial Statements to the members of Hales Valley Trust (continued)

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report.

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

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

Responsibilities of directors

As explained more fully in the Trustees' responsibilities statement set out on page 16, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report on the Financial Statements For the period ended 31 August 2017

Independent Auditor's Report on the Financial Statements to the members of Hales Valley Trust (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

P. Hawkes.

Philippa Hawkes BA CA (Senior Statutory Auditor)
For and on behalf of BSN Associates Limited

7 December 2017

Independent Reporting Accountant's Report on Regularity For the period ended 31 August 2017

Independent Reporting Accountant's Assurance Report on Regularity to Hales Valley Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 18 May 2017 and further to the requirements of the Education and Skills Funding Agency ("ESFA") as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hales Valley Trust during the period 1 February 2017 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Hales Valley Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Hales Valley Trust's funding agreement with the Secretary of State for Education dated 14 November 2016 and the Academies Financial Handbook, extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regularity, propriety and compliance of the use of public funds through observation and testing of the arrangements in place and enquiry of the Accounting Officer;

Independent Reporting Accountant's Report on Regularity For the period ended 31 August 2017

Independent Reporting Accountant's Assurance Report on Regularity to Hales Valley Trust and the Education and Skills Funding Agency (*continued*)

Approach (*continued*)

- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance; and
- limited testing on a sample basis of income and expenditure for the areas identified as high risk.

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 1 February 2017 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

BSN Associates Limited.

**Reporting Accountant
BSN Associates Limited**

7 December 2017

Statement of Financial Activities incorporating Income & Expenditure Account
For the period ended 31 August 2017

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000
Income and endowments from:					
Donations and capital grants	3	-	5	-	5
Transfer from local authority on conversion	3,26	497	(2,263)	15,345	13,579
Charitable activities:		-	-	-	-
Funding for the Trust's educational operations	4	-	3,212	-	3,212
Other trading activities	5	285	5	-	290
Teaching schools	27	-	122	-	122
Total		782	1,081	15,345	17,208
Expenditure on:					
Raising funds	6	-	-	-	-
Charitable activities:					
Trust educational operations	6, 7	120	5,261	48	5,429
Teaching schools	27	-	121	-	121
Total		120	5,382	48	5,550
Net income / (expenditure)		662	(4,301)	15,297	11,658
Transfers between funds	16	-	-	-	-
Other recognised gains / (losses):					
Actuarial (losses) / gains on defined benefit pension schemes	16,23	-	(246)	-	(246)
Net movement in funds		662	(4,547)	15,297	11,412
Reconciliation of funds					
Total funds brought forward		-	-	-	-
Total funds carried forward		662	(4,547)	15,297	11,412



Hales Valley Trust

Balance Sheet

For the period ended 31 August 2017

	Notes	2017 £000
Fixed assets		
Tangible assets	12	15,328
Current assets		
Debtors	13	378
Cash at bank and in hand		1,064
		<u>1,442</u>
Liabilities		
Creditors: Amounts falling due within one year	14	(681)
Net current assets		<u>761</u>
Total assets less current liabilities		16,089
Creditors: Amounts falling due after more than one year	15	(290)
		<u>15,799</u>
Net assets excluding pension liability		15,799
Defined benefit pension scheme liability	23	(4,387)
Total assets		<u>11,412</u>
Funds of the Trust:		
Restricted funds		
Fixed asset fund	16	15,297
Restricted income fund	16	(160)
Pension reserve	16	(4,387)
Total restricted funds		<u>10,750</u>
Unrestricted income funds	16	662
Total Funds		<u>11,412</u>

The financial statements on pages 22 to 29 were approved by the Trustees, and authorised for issue on 7 December 2017 and are signed on their behalf by:

G Craig
Chair of Trustees



Hales Valley Trust

Statement of Cash Flows

For the period ended 31 August 2017

	Notes	2017 £000
Cash flows from operating activities		
Net cash provided by (used in) operating activities	20	1,029
Cash flows from financing activities	21	(32)
Change in cash and cash equivalents in the reporting period		<u>997</u>
Cash and cash equivalents transferred on conversion		67
Cash and cash equivalents at the 31 August 2017	22	<u>1,064</u>



Hales Valley Trust

Notes to the Financial Statements For the period ended 31 August 2017

1. Statement of Accounting Policies

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

Basis of Preparation

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

Hales Valley Trust meets the definition of a public benefit entity under FRS 102.

Going Concern

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

Income

All incoming resources are recognised when the Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

- **Grants**

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

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

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

- **Donations**

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

Notes to the Financial Statements

For the period ended 31 August 2017

1. Statement of Accounting Policies (*continued*)

- **Other Income**
Other income, including catering income, is recognised in the period it is receivable and to the extent the Trust has provided the goods or services.
- **Donated goods, facilities and services**
Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

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

- **Transfer on conversion**
Where assets have been received by the Trust from the Local Authority on conversion to an academy, the transferred assets are measured at fair value at the time of conversion and are recognised in the balance sheet at the point when the risks and rewards of ownership have been passed to the Trust. The fair value of assets recognised on the balance sheet is also included within the SOFA as income, recognised as Transfer on Conversion within Donations and Capital Grant income.

Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT, with the exception of non-business activity costs which can be reclaimed through Clause 75 of the Finance Bill 2011 (section 33B) in the VAT Act 1994.

Notes to the Financial Statements For the period ended 31 August 2017

1. Statement of Accounting Policies (*continued*)

Tangible Fixed Assets

Assets costing £3,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

The freehold title of land and buildings acquired by the Trust from the local authority on conversion at 14 November 2016 has been capitalised at fair value and depreciated over the length of the lease. The amount has been also been recognised in the SOFA as Transferred on Conversion in the Fixed Asset Fund.

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

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

- | | |
|------------------------------------|-----------|
| • Land | None |
| • Long leasehold buildings | 125 years |
| • Fixtures, fittings and equipment | 3 years |

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

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

Liabilities

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

Provisions

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

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

Leased assets

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

Notes to the Financial Statements

For the period ended 31 August 2017

1. Statement of Accounting Policies (*continued*)

Financial instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities – trade creditors and other creditors are basic financial instruments and are measured at amortised cost as detailed in note 14 and 15. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 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.

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

Notes to the Financial Statements

For the period ended 31 August 2017

1. Statement of Accounting Policies (*continued*)

Fund Accounting

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

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

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Conversion to a Multi Academy Trust

On 1 February 2017 Lapal Primary School and Lutley Primary School and on the 1 April 2017 Woodside Primary School converted to academy status under the Academies Act 2010 and all the operations, assets and liabilities were transferred to Hales Valley Trust from Dudley Metropolitan Borough Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations - transfer from local authority on conversion.

2. General Annual Grant ("GAG")

Under the funding agreement with the Secretary of State the Trust was not subject to limits at 31 August 2017 on the amount of GAG that could be carried forward from one year to the next. This was because The Multi Academy Trust did not commence operation until 1 February 2017.

Notes to the Financial Statements For the period ended 31 August 2017

3. Donations and capital grants

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Fund	Total 2017
	£000	£000	£000	£000
Capital Grants	-	5	-	5
Donated fixed assets	-	-	15,345	15,345
Other donations	497	(2,263)	-	(1,766)
	<u>497</u>	<u>(2,258)</u>	<u>15,345</u>	<u>13,584</u>

4. Funding for the Trust's Educational Operations

	Unrestricted Funds	Restricted General Funds	Total 2017
	£000	£000	£000
DfE / EFA grants			
General Annual Grant (GAG)	-	2,684	2,684
Start Up Grants	-	200	200
Other DfE/EFA grants	-	310	310
	<u>-</u>	<u>3,194</u>	<u>3,194</u>
Other Government grants			
Local authority grants	-	18	18
Special educational projects	-	-	-
	<u>-</u>	<u>18</u>	<u>18</u>
Other income from the Trust's educational operations	-	-	-
	<u>-</u>	<u>3,212</u>	<u>3,212</u>

5. Other Trading activities

	Unrestricted Funds	Restricted General Funds	Total 2017
	£000	£000	£000
Educational trips	20	-	20
Other income	265	127	392
	<u>285</u>	<u>127</u>	<u>412</u>

Notes to the Financial Statements

For the period ended 31 August 2017

6. Expenditure

	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	
	£000	£000	£000	2017 £000
Expenditure on raising funds	-	-	-	-
<i>Academy's educational operations:</i>				
Direct costs	2,255	92	33	2,380
Allocated support costs	238	162	2,770	3,170
	2,493	254	2,803	5,550

Net income/(expenditure) for the period includes:

	2017 £000
Operating lease rentals	41
Depreciation	49
Fees payable to auditor for:	
- audit	12
- other services	-
	102

7. Charitable Activities

	2017 £000
Direct costs – educational operations	2,380
Support costs – educational operations	3,170
	5,550

Analysis of support costs

	Educational operations	Total
	£000	2017 £000
Support staff costs	238	238
Depreciation	49	49
Premises costs	113	113
Other support costs	2,650	2,650
Governance costs	120	120
Total support costs	3,170	3,170

Notes to the Financial Statements For the period ended 31 August 2017

8. Staff

a. Staff costs

Staff costs during the period were:	Total 2017 £000
Wages and salaries	2,045
Social security costs	169
Operating costs of defined benefit pension schemes	208
	<u>2,422</u>
Supply staff costs	71
	<u>2,493</u>

b. Staff numbers

The average number of persons employed by the Academy Trust during the period was as follows:

	2017 No.
Teachers	91
Administration and support	119
Management	2
	<u>212</u>

c. Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,00 per annum was:

	2017
£60,001 - £70,000	1
£70,001 - £80,000	2
£80,001 - £90,000	-
£90,001 - £100,000	1
£101,000 - £110,000	-
	<u>4</u>

d. Key management personnel

The key management personnel of the 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 Trust was £103,000 (2016: n/a).

Notes to the Financial Statements For the period ended 31 August 2017

9. Related Party Transactions - Trustees' Remuneration and Expenses

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Trust. The principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment.

The value of Trustees' remuneration and other benefits per annum was as follows:

J Mackinney (CEO and Trustee):

- Remuneration £90,000 - £100,000
- Employer's pension contributions paid £10,000 - £15,000

R Cox (Trustee)

- Remuneration £70,000 - £80,000
- Employer's pension contributions paid £0 - £5,000

G Craig (Chair of Trustees)

- *Received £35,595 from the Trust relating to work invoiced for educational consultancy and NLG deployments*
- *A balance of £1,800 was owed to G Craig at 31st August 2017 from the Trust*

During the period ended 31 August 2017, travel and subsistence expenses totalling £0.

Other related party transactions involving the Trustees are set out in note 25.

10. Trustees' and Officers' Insurance

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 on any one claim. The cost of this insurance is included in the total insurance cost for the year which totalled £14,000 (2016: n/a).

Notes to the Financial Statements For the period ended 31 August 2017

11. Central Services

The Trust has provided the following central services to its academies during the period:

- human resources
- financial services
- legal services
- educational support services; or
- others as arising

The Trust charges for these services as a 5% - 7% flat percentage of all GAG income.

The actual amounts charged during the period were as follows:

	2017
	£000
Lapal Academy	35
Lutley Academy	65
Woodside Academy	47
	<u>147</u>

12. Tangible Fixed Assets

	Leasehold Land and Buildings	Furniture & Equipment	Total
	£000	£000	£000
Cost			
Transferred on conversion at 1st February 2017	15,345	-	15,345
Additions	-	32	32
Disposals	-	-	-
At 31 August 2017	<u>15,345</u>	<u>32</u>	<u>15,377</u>
Depreciation			
Charged in the period	48	1	49
Disposals	-	-	-
At 31 August 2017	<u>48</u>	<u>1</u>	<u>49</u>
Net book values			
At 31 August 2017	<u>15,297</u>	<u>31</u>	<u>15,328</u>

Notes to the Financial Statements

For the period ended 31 August 2017

12. Tangible Fixed Assets (continued)

The Trust's transactions relating to land and buildings include the taking up of the long leaseholds of Lapal Academy, Lutley Academy and Woodside Academy for peppercorn rent over a term of 125 years.

A formal valuation has taken place to determine the fair value of the land and buildings on conversion for each school. The valuations were undertaken by professional valuation firm FHP on the 12th June 2017. Each valuation was carried out by a professional valuer holding the MRICS qualification.

Other furniture, equipment and computer hardware assets transferred to the Trust on conversion to an Academy on 1 February 2017 have not been fair valued due to the large volumes of low value items. If and when these items are sold the income will be recognised in "income from other trading activities".

13. Debtors

	2017
	£000
Trade debtors	11
VAT recoverable	134
Prepayments and accrued income	233
	<u>378</u>

14. Creditors: Amounts Falling due within one year

	2017
	£000
Trade creditors	263
Equal pay loan	12
Accruals and deferred income	406
	<u>681</u>

	2017
	£000
Deferred income at 1 February 2017	-
Released from previous years	-
Resources deferred in the period	310
Deferred Income at 31 August 2017	<u>310</u>

At the balance sheet date the Trust was holding funds received in advance for Universal Infant Free School Meals for the Autumn term 2017 of £114,000 and £160,000 of start-up grant income received from the Government in relation to Hurst Hill Primary School and The Priory Primary School that became part of the academy after year end. A further £26,000 is being held in relation to Devolved Capital Grants received from the Government for the 2017/18 academic year.

Notes to the Financial Statements For the period ended 31 August 2017

15. Creditors: Amounts Falling due within more than one year

	2017 £000
Equal pay loan	290

The equity pay loan was granted to Woodside Primary School before the school achieved academy status and became part of the Trust. The loan was granted to reduce the gender pay gaps within the public sector. Woodside Academy are repaying the balance with interest to the Government. At 31 August 2017 an amount of £243,000 (2016: n/a) was due in more than 5 years.

16. Funds

	Transfer on conversion	Income	Expenditure	Gains, losses and transfers	Balance at 31 August 2017
	£000	£000	£000	£000	£000
Restricted general funds					
General Annual Grant (GAG)	-	2,684	(2,619)	-	65
Start-up grants	-	200	(200)	-	-
Donations and capital grants	5	-	-	-	5
Other DfE/EFA grants	-	310	(310)	-	-
Local authority grants	-	18	(18)	-	-
Other trading activities	-	122	(122)	-	-
School fund	67	5	-	-	72
Equal pay loan	(302)	-	-	-	(302)
Pension reserve	(2,028)	-	(2,113)	(246)	(4,387)
	(2,258)	3,339	(5,382)	(246)	(4,547)
Restricted fixed asset funds					
Transfer on conversion	15,345	-	(48)	-	15,297
DfE/EFA capital grants	-	-	-	-	-
Capital expenditure from GAG	-	-	-	-	-
Private sector capital sponsorship	-	-	-	-	-
	15,345	-	(48)	-	15,297
Total restricted funds	13,087	3,339	(5,430)	(246)	10,750
Total unrestricted funds	497	285	(120)	-	662
Total funds	13,584	3,624	(5,550)	(246)	11,412

Notes to the Financial Statements For the period ended 31 August 2017

16. Funds (continued)

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

Analysis of academies by fund balance

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £000
Lapal Academy	282
Lutley Academy	155
Woodside Academy	(231)
Central services	296
Total before fixed assets and pension reserve	502
Restricted fixed asset fund	15,297
Pension reserve	(4,387)
Total	11,412

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation) £000	Total 2017 £000
Lapal Academy	502	63	27	129	721
Lutley Academy	998	98	76	234	1,406
Woodside Academy	620	71	30	119	840
Central services	135	6	41	2,352	2,534
Academy Trust	2,255	238	174	2,834	5,501

Woodside Academy is carrying a net deficit of £231k on these funds because of the equal pay loan of £301k. The Trust plans to return the academy to surplus by reviewing ways in which to repay the loan early given the high interest costs associated with the loan.



Hales Valley Trust

Notes to the Financial Statements For the period ended 31 August 2017

17. Analysis of Net Assets between Funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	31	-	15,297	15,328
Current assets	1,027	415	-	1,442
Current liabilities	(396)	(285)	-	(681)
Non-current liabilities	-	(290)	-	(290)
Pension scheme liability	-	(4,387)	-	(4,387)
Total net assets	662	(4,547)	15,297	11,412

18. Capital Commitments

	2017 £000
Committed to, but not provided in the financial statements	-

19. Commitments under operating leases

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

	2017 £000
Amounts due within one year	130
Amounts due between one and five years	473
Amounts due after five years	-
	603

Notes to the Financial Statements For the period ended 31 August 2017

20. Reconciliation of Net Income/(expenditure) to Net Cash Flow from Operating Activities

	2017
	£000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	11,658
Adjusted for:	
Depreciation charges (note 6)	49
Defined benefit pension scheme obligation inherited	2,028
Transfer of buildings from local authority	(15,345)
School fund transferred on conversion	(67)
Defined benefit pension scheme cost less contributions payable (note 23)	2,055
Defined benefit pension scheme finance cost (note 23)	58
(Increase)/decrease in debtors	(378)
Increase/(decrease) in creditors	971
Net cash provided by / (used in) Operating Activities	<u>1,029</u>

21. Cash Flows from Investing Activities

	2017
	£000
Purchase of tangible fixed assets	(32)
Net cash provided by / (used in) investing activities	<u>(32)</u>

22. Analysis cash and cash equivalents

	At 31 August 2017
	£000
Transferred on conversion	67
Cash flows	997
Total cash and cash equivalents	<u>1,064</u>

23. Members' Liability

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

Notes to the Financial Statements

For the period ended 31 August 2017

24. Pension and Similar Obligations

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

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

There were outstanding contributions at 31 August 2017 of £0.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

During the period the employer contribution rate was 14.1% The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £205,715.

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

Notes to the Financial Statements For the period ended 31 August 2017

24. Pension and Similar Obligations (*continued*)

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

Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering authority for the Fund is Wolverhampton City Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. West Midlands Pension Fund is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Pension Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The total contribution made for the year ended 31 August 2017 was £183,000, of which employer's contributions totalled £122,000 and employees' contributions totalled £61,000. The agreed contribution rates for future years are 20.3% for employers and 6.5% for employees.

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

The Academy LGPS has an estimated deficit of £4,387,000.

Principal Actuarial Assumptions	At 31 August 2017	At 1 February 2017
Rate of increase in salaries	4.20%	4.50%
Rate of increase for pensions in payment/inflation	2.70%	3.00%
Discount rate for scheme liabilities	2.60%	3.10%
Inflation assumption (CPI)	2.70%	n/a
Commutation of pensions to lump sums	50.00%	50.00%

Notes to the Financial Statements For the period ended 31 August 2017

24. Pension and Similar Obligations (*continued*)

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

	At 31 August 2017	At 1 February 2017
<i>Retiring today</i>		
Males	21.8	21.8
Females	24.3	24.2
<i>Retiring in 20 years</i>		
Males	24.0	23.9
Females	26.6	26.5

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

	Fair value at 31 August 2017	Fair value at 1 February 2017
	£000	£000
Equity instruments	722	212
Debt instruments	127	56
Property	83	28
Cash	57	23
Other	152	39
Total market value of assets	1,141	358

The actual return on scheme assets was £78,000 (2016: n/a).

Amounts recognised in the statement of financial activities

	2017 £000
Current service cost (net of employee contributions)	2,177
Net interest cost	58
Total operating charge	2,235

Notes to the Financial Statements
For the period ended 31 August 2017

24. Pension and Similar Obligations (continued)

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

	2017 £'000
At 1 February 17	-
Upon conversion	2,385
Current service cost	420
Interest cost	73
Employee contributions	61
Actuarial (gain)/loss	309
Plan introductions, benefit changes, curtailments and settlements	2,280
At 31 August 17	5,528

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

	2017 £'000
At 1 February 17	-
Upon conversion	357
Interest income	15
Return on plan assets (excluding net interest on the net defined pension liability)	63
Employer contributions	122
Employee contributions	61
Plan introductions, benefit changes, curtailments and settlements	523
At 31 August	1,141



Hales Valley Trust

Notes to the Financial Statements For the period ended 31 August 2017

24. Pension and Similar Obligations (*continued*)

Sensitivity analysis

Adjustment to discount rate	0.10%	0.0%	-0.10%
Present value of total obligation (£'000)	5,371	5,528	5,689
Projected service cost (£'000)	750	772	795
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present value of total obligation (£'000)	5,564	5,528	5,492
Projected service cost (£'000)	772	772	772
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation (£'000)	5,653	5,528	5,407
Projected service cost (£'000)	794	772	750
Adjustment to life expectancy assumptions	+ 1 year	0 years	- 1 year
Present value of total obligation (£'000)	5,704	5,528	5,357
Projected service cost (£'000)	797	772	748

25. Related Party Transactions

Certain Trustees' remuneration and expenses already disclosed in note 9.

A connected party of J Mackinney, a Trustee and Chief Executive Officer of the Trust, works for the Trust and is remunerated for their work. James Mackinney received gross salary of £7,000 (2016: n/a) for the period to 31st August 2017 and the Trust paid national insurance and pension contributions of £1,000 (2016: n/a).

26. Conversion to an Academy Trust

On 1 February 2017 Lapal Primary School, Lutley Primary School and on 1 April 2017 Woodside Primary School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Hales Valley Trust Ltd from Dudley Metropolitan Borough Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations – transfer from local authority on conversion.

A formal valuation as carried out for leasehold land and buildings to determine a fair value at the point of conversion.

Notes to the Financial Statements For the period ended 31 August 2017

26. Conversion to an Trust *(continued)*

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total £000
Tangible fixed assets				
Leasehold land and buildings	-	-	15,345	15,345
Budget surplus / (deficit) on LA funds	497	-	-	497
Budget surplus / (deficit) on other school funds	-	67	-	67
Equal pay loan	-	(302)	-	(302)
LGPS pension surplus/(deficit)	-	(2,028)	-	(2,028)
Net assets / liabilities	497	(2,263)	15,345	13,579

27. Academy Trust Teaching School

The Trust benefits from having a teaching school within it, Hales Valley Teaching School. The teaching school opened in 2014 and have developed a secure offer of support across the Local Authority, the Black Country and beyond. The teaching school is heavily involved in ITT, CPD and school to school support.

The income for the teaching school from NCTL during the period was £241,210, with £119,485 brought forward on conversion to an Academy Trust and £121,726 received during the period. The amount received during the year has been shown separately on the face of the Statement of Financial Activities. Total expenditure on the teaching school during the year has been £121,009 to cover the costs of staff, training days and travel and subsistence, this is also shown separately on the face of the Statement of Financial Activities.