

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2014

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

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**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2014**

Trustees

J Boland
M Clements
S A Johnson
P Keeling
G A Kirby, Staff Trustee (end of term 31 January 2014)
J McCartney
J R Phillips (end of term 16 November 2013)
L Price, Chair
A Salter, Staff Trustee (resigned 26 September 2014)
G N Smith, Principal
K E Smith
K Turner, Vice Chair
C Vining (resigned 4 May 2014, re-elected 25 June 2014)
A C Williams (resigned 16 November 2013)
R Shorter, Staff Trustee
I Copeman (elected 6 January 2014)
M M Tipping (elected 27 January 2014, resigned 26 April 2014)
G Donne-Davis (elected 27 January 2014)
M A Evans (appointed 26 March 2014)
A S Holt, Staff Trustee (appointed 22 April 2014)
M V Harman (elected 15 July 2014)
C Bowles, Staff Trustee (appointed 29 September 2014)

**Company registered
number** 07665387

**Principal and Registered
office** Honiton Community College Academy Trust
School Lane
Honiton
Devon
EX14 1QT

Company secretary S L Matthews

Accounting officer G N Smith

**Executive Leadership
Team**

G N Smith, Principal
A Holt, Vice Principal
P Mathieson, Assistant Principal (resigned during the year)
R Robson, Assistant Principal
M C Adams, Assistant Principal
G Wills, Director of Finance
N Wintle, Assistant Principal (appointed during the year)

Independent auditors Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2014**

Administrative details (continued)

Bankers Lloyds Commercial
 234 High Street
 Exeter
 Devon
 EX4 3NL

Solicitors Foot Anstey LLP
 Salt Quay House
 4 North East Quay
 Sutton Harbour
 Plymouth
 Devon
 PL4 0BN

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2014**

The Trustees present their annual report together with the financial statements and auditors' report of the Charitable Company for the year ended 31 August 2014. The annual report serves the purpose of both a Trustees' report, and a Directors' report under company law.

The Trust operates an academy for pupils aged 11 to 19 in Honiton and the surrounding area. It has a pupil capacity of 792 and had a roll of 770 in the October 2014 school census.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Trustees of Honiton Community College Academy Trust are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Honiton Community College Academy Trust.

Details of the Trustees who served throughout the year, except as noted, are included in the Reference and Administrative Details on pages 1 to 2.

Members' liability

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

Trustees' Indemnities

Trustees benefit from indemnity insurance purchased at the Academy 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 Academy Trust, 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 a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Academy Trust. The limit of this indemnity is £2M.

TRUSTEES

Method of recruitment and appointment or election of Trustees

On 1 July 2011 the Trustees appointed all those Governors that served the predecessor school to be Trustees of the newly formed Academy. These Trustees were appointed for a term of office that would end when their original term at the predecessor school would have ended, thus ensuring a staggered re-election or replacement process.

The Academy Trust shall have the following Trustees as set out in its Articles of Association and funding agreement:

- up to 6 Trustees who are appointed by members;
- up to 6 Parent Trustees who are elected by Parents of registered pupils at the Academy;
- up to 3 Staff Trustees appointed by the Governing Body;
- the Principal who is treated for all purposes as being an ex officio Trustee; and
- up to 3 co-opted Trustees.

(providing that the total number of Trustees, including the Principal, who are employees of the Academy Trust, does not exceed one third of the total number of Trustees)

Trustees are appointed for a four year period, except that this time limit does not apply to the Principal. Subject

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**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014**

to remaining eligible to be a particular type of Trustee, any Trustee can be re-appointed or re-elected.

When appointing new Trustees, the Board will give consideration to the skills and experience mix of existing Trustees in order to ensure that the Board has the necessary skills to contribute fully to the Academy's development.

Policies and Procedures adopted for the Induction and Training of Trustees

The training and induction provided for new Trustees will depend upon their existing experience but would always include a tour of the Academy and a chance to meet staff and pupils. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. As there are normally only two or three new Trustees a year, induction tends to be done informally and is tailored specifically to the individual. Advantage is taken of specific courses offered by the Local Authority and other bodies.

There is a Trustees' annual training session organised each year which aims to keep the Trustees updated on relevant developments impacting on their roles and responsibilities.

Organisational Structure

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

There are 5 committees as follows:

Campus and Health and Safety Committee

The committee shall meet twice a term or otherwise as required.

Area of Responsibility: Campus

- i) To provide support and guidance for the Principal on all matters relating to the College premises and grounds, security, health and safety and environmental issues.
- ii) To carry out an annual inspection of the premises and grounds and prepare a statement of priorities for maintenance and improvement (with reference to the Asset Management Plan). To include monitoring the delivery of recommendations made.
- iii) To approve the costs and arrangements for maintenance, repairs and redecoration within the budget allocation.
- iv) To ensure that the College complies with Health & Safety Regulations, taking advice when necessary.
- v) To oversee the preparation and implementation of contracts, ensuring best value principles are adhered to.
- vi) To agree a lettings policy.
- vii) To establish and keep under review a campus strategy covering the next 10 years.
- viii) To keep under review a rolling 3 year, costed, repairs plan.

Area of Responsibility: Health and Safety

- i) To agree a Health and Safety Policy appropriate to the needs of the College and to review this on an annual basis.
- ii) To assist the Board of Trustees and Principal to discharge their responsibilities under relevant legislation.
- iii) To consider model policies on Health and Safety and agree policies for adoption.
- iv) To ensure that the necessary college management organisation is in place to implement the policy.
- v) To monitor the effectiveness of the College's Health and Safety arrangements.

Area of Responsibility: Dining Room and Catering

- i) To monitor the contract with Innovate & ensure College needs are met.
- ii) To ensure (taking advice when necessary) that nutritional standards are met.
- iii) To periodically ascertain student views of the service.
- iv) Meet with the Catering Manager on a regular basis.

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**TRUSTEES' REPORT (continued)
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Curriculum Committee

The committee shall meet twice at least once a term or otherwise as required.

Area of Responsibility:

- i) To report to the Board of Trustees on the implementation of the College's curriculum statement, taking in to account, national initiatives and accountability structures.
- ii) With the staff, to monitor how the curriculum is taught, its effectiveness and how it is resourced.
- iii) To review the College policies appropriate to the committee and make any recommendations to the Board of Trustees.
- iv) To review any information about the College's performance and to report back to the Overview and Scrutiny Committee and the Full Board of Trustees.
- v) To contribute to the College Improvement Plan and to monitor its implementation within the scope of this committee.
- vi) To ensure that all Trustees develop a clear understanding of how the College curriculum is delivered.
- vii) The committee will liaise with other committees as appropriate.
- viii) To ensure that the requirements of all students are met. In particular ensuring that those students with additional educational needs are met through monitoring the SEN disability and equality policies and any arrangement for G&T students. This is also to include other groupings i.e. Free school meals, gender, looked after children, ethnicity, travellers, English as an additional language, prior attainment (High, middle, low).
- ix) To monitor the wider curriculum, including Extended Schools, Enrichment, Work Experience, SMSC (Social, Moral, Social, Cultural) and CEIAG (Careers Education Information Advice Guidance).

Finance Committee

The committee shall meet twice a term or otherwise as required.

Areas of Responsibility:

Subject to statutory requirements, the committee is authorised:

- In consultation with the Principal and taking into consideration:
 - available resources;
 - sustainability of commitments;
 - the college improvement plan (CIP);
 - forecast student numbers;
 - anticipated contractual liabilities; and
 - other relevant factors.
- To consider the academy's indicative funding, notified annually by the EFA, and to assess its implications for the academy, in consultation with the Principal, in advance of the financial year, drawing any matters of significance or concern to the attention of the Board of Trustees.
- To scrutinise, consider and recommend acceptance/non-acceptance of the academy's annual and three year budget to the governing body, at the start of each financial year.
- To contribute to the formulation of the academy's development plan, through the consideration of financial priorities and proposals, in consultation with the Principal, with the stated and agreed aims and objectives of the academy.
- To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the College Improvement Plan (CIP).
- To liaise with and receive reports from the other committees, as appropriate, and to make recommendations to those committees about the financial aspects of matters being considered by them.
- To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the academy, and with the financial regulations of the EFA, drawing any matters of concern to the attention of the Board of Trustees. As part of this the committee will:
 - Make decisions in relation to service level agreements, in accordance with the scheme of delegation;
 - Approve non routine expenditure (not provided for in the CIP) in accordance with the scheme of delegation;

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- Ensure that the principles of best value are followed when making decisions and within the college;
- Monitor statistics, performance indicators and key ratios and other non financial data affecting the budget, directing action as appropriate; and
- Monitor capital expenditure and take appropriate steps in the event of possible under / over spending.
- To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement. As part of this the committee will:
 - Establish and recommend appropriate policies (to include recommended levels of delegated authority) to the governing body. This will include:
 - o Finance Policy
 - o Budget Monitoring Policy
 - o Procurement Policy
 - o Charging and Remissions Policy
 - o Lettings Policy
 - o Governors Expenses Policy
- Review all policies and levels of charges annually and recommend changes as appropriate.
- To approve the financial statement to form part of the annual report of the Board of Trustees to parents and for filing in accordance with Companies Act and Charity Commission requirements
- To receive auditors' reports and to recommend to the full Board of Trustees action as appropriate in response to audit findings.
- To recommend to the Board of Trustees the appointment of a Responsible Officer.
- To recommend to the full Board of Trustees the appointment or reappointment of the auditors of the academy.

Overview and Scrutiny

The committee shall meet once each half term or otherwise as required.

Area of Responsibility

- i) To monitor the College Improvement Plan regularly and rigorously three times a year with regard to the Specialist Status actions.
- ii) To monitor the college Self Evaluation Form (SEF).
- iii) To discuss Ofsted reports and monitor Action Plans
- iv) To monitor progress plans and student progress expected within those plans.
- v) To receive SIP notes on College visits

Personnel Committee

The committee shall meet twice a term or otherwise as required.

Area of responsibility:

The objective of this committee is to ensure that Honiton Community College Academy Trust delivers through its staff, both teaching and support, the best possible teaching and learning environment to its students with the available resources, by ensuring the following:

- i) **The College has appropriate HR policies in place** – by drafting and keeping under review all HR policies for approval by the Board of Trustees and undertaking any formal consultations on personnel matters.
- ii) **Policies are implemented** – by requesting and receiving regular reports for monitoring and review purposes and ensuring recommended actions are taken.
- iii) **Staff performance is monitored and improved** – by ensuring the college has a rigorous and effective performance management process in place that is implemented efficiently; and by using the resulting data from this process to make recommendations for improvements to standards and help deliver the best possible teaching to students with the resources available.
- iv) **Staff have appropriate terms and conditions** – such that:
 - a. Priority is given to ensuring that staff terms and conditions of service are at least commensurate with national policy and in the best interests of the staff.
 - b. Criteria are proposed for the approval of the Board of Trustees about the use of discretionary elements of pay provisions, and recommendations made about implementing them.

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- c. Liaison takes place with the Finance Committee to establish the annual and longer term salary budgets and other costs relating to personnel e.g. training.
- v) **The College has an appropriate staffing structure** – by reviewing the staffing structure whenever a vacancy occurs and at least annually, in relation to the College Management plan to ensure the best value for money arrangements.
- vi) **Effective staff recruitment activity takes place** – through having selection panels normally containing, where possible, at least one trained member of the Personnel Committee or Full Board of Trustees other than the Principal. The Principal has delegated authority to make all appointments of supply teachers and part time appointments.
- vii) **Also** – by exercising such powers as the Board of Trustees may delegate.

The following decisions are reserved to the Board of Trustees; to consider any proposals for changes to the status or constitution of the Academy and its committee structure, to appoint or remove the Chairman and/or Vice Chairman, to appoint the Principal and Clerk to the Trustees, to approve the College Improvement Plan and budget.

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

The Academy has a leadership structure which consists of the Executive Leadership Team (ELT). The aim of the leadership structure is to devolve responsibility and encourage involvement in decision making at all levels. The Trustees govern and the ELT lead and manage.

The Board of Trustees have devolved responsibility for day to day leadership management of the Academy to the Principal and the rest of the ELT. . The ELT controls the Academy at an executive level, implementing the policies laid down by the Trustees and reporting back to them. The Principal, Academy Director of Finance and Finance, Campus and Overview and Scrutiny Committees are responsible for the authorisation of spending within agreed budgets; a summary of this is in the Scheme of Delegation. Some spending control is devolved to Budget Holders which must be authorised in line with the Scheme of Delegation. The Principal is responsible for the appointment of staff, though appointment panels for teaching posts always include a Trustee.

The Principal is the Accounting Officer.

Connected Organisations, including Related Party Relationships

The Academy has use of the Leisure East Devon leisure facilities and there is a shared use agreement between it and the Academy. There is also an agreement with East Devon District Council to hire the All Hallows pitches.

The Academy has strong collaborative links with all feeder primary schools which form part of the Honiton Learning Community.

There are no related parties which either control or significantly influence the decisions and operations of Honiton Community College Academy Trust. There are no sponsors or formal Parent Teacher Associations associated with the Academy.

OBJECTIVES AND ACTIVITIES

Objects and Aims

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

The aims of the Academy during the year ended 31 August 2014 are summarised below:

- to continue to raise the standard of educational attainment and achievement of all pupils.
- to provide a broad and balanced curriculum, including extra curricular activities.
- to develop students as more effective learners.

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- to enhance the tertiary provision and outcomes.
- to develop the Academy site so that it enables students to achieve their full potential.
- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care.
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review.
- to maximise the number of students who achieve 5 A* - C GCSE grades including English and Maths.
- to provide value for money for the funds expended.
- to fulfil the role of a teaching school.
- to develop greater coherence, clarity and effectiveness in school systems.
- to comply with all appropriate statutory and curriculum requirements.
- to maintain close links with industry and commerce.
- to develop the Academy's capacity to manage change, and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

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

Objectives, Strategies and Activities

Key priorities for the year are contained in our College Improvement Plan which is available from the Academy Office. Improvement focuses identified for this year include:

- To be rated as a Good School in the next 2 years.
- To achieve 64 + % 5ACEM
- To enhance the quality of learning and teaching
- To enhance the quality of leadership and management
- To enhance the performance of disadvantaged students.

Key activities and targets were identified in the College Improvement Plan and were influenced by the significant challenges and opportunities arising from national changes in education policy and funding, including the conversion to Academy status. The activities included the following:

- review of numeracy, literacy and ICT capability.
- review of staffing levels in the light of budgetary pressure.
- further development of ICT systems to support administration and communication.
- development and embedding of key financial and administrative procedures arising from conversion.
- continued development of systems for tracking and monitoring pupil attainment.
- range of activities to promote community adhesion and support of other charities activities.
- To enhance the quality of leadership and management, particularly at middle leadership level.
- To enhance the quality of learning and teaching.

Public Benefit

The Trustees confirm that they have complied with the duty in Section 17(5) of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the Academy Trust's aims and objectives and in planning its future activities.

The Academy aims to advance for the public benefit, education in Honiton and the surrounding area. In particular, but without prejudice to the generality of the forgoing by estimating, maintaining, managing and development schools, offering a broad curriculum with a strong emphasis on, but in no way limited to the specialism of Science.

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The Academy provides facilities for recreational and other leisure time occupation for the community at large in the interests of social welfare and with the interest of improving the life of the said community.

STRATEGIC REPORT

Achievements and Performance

The Academy is in its fourth year of operation and has achieved the forecast number of students. The total number of students in the year ended 31 August 2014 was 830 but this has decreased to 770 in September 2014 due to local demographics.

Examination results for 2014 represented an improvement in A2 results. The Academy achieved a 97% pass rate in A2 exams compared to 95% in 2013. The Academy recorded GCSE results in June 2014 with 54% of students achieving A*-C, up from 45% in 2013.

To ensure that standards are continually assessed, the Academy operates a programme of lesson observations, which are undertaken by the Department Heads and the Executive Leadership Team.

The Academy was inspected by OFSTED in 2014 and was judged to require improvement.

During the Year the College was successful in securing £1.61M funding from the Academies Capital Maintenance Fund to build a new Technology and Languages block. The building is due to be finished in early 2015 and promises state of the art classrooms that are sure to further inspire students.

Key Performance Indicators

The main financial performance indicator is the level of reserves held at the Balance Sheet date. In particular, the management of spending against General Annual Grant (GAG) requires special attention - the amount of carry forward restricted to 12% has been removed in the year. In period under review, £160k was carried forward representing 3.6% of GAG.

As funding is based on pupil numbers this is also a key performance indicator. Pupil numbers for 2014 were 830, a decrease of 40 over 2013. It is anticipated that this number will fall for one more year before rising.

Another key financial performance indicator is staffing costs as a percentage of GAG. For 2014 this was 87%, compared to 88% in 2013.

The following KPI's were set at the start of the year:

	Target	Actual
Responsible Officer reports	Good or High	Target achieved
Non Government funding level	.0075%	Achieved – 1.001%
Orders placed as a % of total purchases	90%	Failed - 65%

Achieved good results in two out of three KPI's. Target for Orders was slightly ambitious but has drawn attention to procurement process. Changes to process have now been put in place and target will remain for coming year.

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 going concern policy in note 1 to the financial statements..

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**TRUSTEES' REPORT (continued)
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FINANCIAL REVIEW

Financial Review

Most of the Academy's income is obtained from the DfE via the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ended 31 August 2014 and the associated expenditure are shown as Restricted Funds in the Statement of Financial Activities.

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

During the year ended 31 August 2014, total expenditure of £4,848,333 (excluding restricted fixed asset and pension reserves) was covered by recurrent grant funding from the DfE, together with other incoming resources of £4,856,589 (excluding restricted fixed asset and pension reserves). The excess of income over expenditure for the year (excluding restricted fixed asset and pension reserves) was £8,256.

At 31 August 2014 the net book value of fixed assets was £9,960,864 and movements in tangible fixed assets are shown in note 15 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The principal land, buildings and other assets were transferred to the Academy upon conversion and were professionally valued on that date. Other assets have been included in the financial statements at a best estimate, taking into account purchase price and remaining useful lives.

The Academy has taken on the deficit in the Local Government Pension Scheme in respect of its non teaching staff transferred on conversion. The deficit is incorporated within the Statement of Financial Activity with details in Note 25 to the financial statements.

Key financial policies adopted or reviewed during the year include the Finance Policy which lays out the framework for financial management, including financial responsibilities of the Board, Principal, managers, budget holders and other staff, as well as delegated authority for spending. Other policies reviewed and updated included Charges and Lettings, Asset Management, and Gifts and Hospitalities.

Reserves Policy

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees take into consideration the future plans of the Academy, the uncertainty over future income streams and other key risks identified during the risk review.

The Trustees have determined that the appropriate level of free reserves should be approximately £400,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, reductions in pupil numbers resulting in losing a class but not wanting to lose a teacher and potential redundancy costs. Total reserves of the academy (excluding restricted fixed asset reserves and pension reserves) amount to £465,319, although £26,830 of this represents non GAG restricted funds. The remaining £438,489 (representing £278,204 unrestricted funds and £160,285 unspent GAG) is the balance that the Trustees monitor in accordance with the Board's reserves policy.

The Trustees have reviewed the future plans of the Academy and have set designated reserves as follows:

- £50,000 towards the construction of the Technology and MFL block.
- Reserves will need to be held to cover cost as a result of the negative budget prediction for the next few years.
- Future investment in next phases of the building programme.
- Contribution to the costs of a 3G pitch.

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The defined benefit pension scheme reserve has a negative balance. The effect of the deficit position of the pension scheme is that the Academy Trust is paying higher employers' pension contributions over a period of years. The higher employers' pension contributions will be met from the Academy Trust's budgeted annual income. Whilst the deficit will not be immediately eliminated, there should be no actual cash flow deficit on the fund, nor any direct impact on the free reserves of the Academy Trust.

Investment Policy

Trustees are committed to ensuring that all funds under their control are managed in such a way as to maximise return whilst minimising risk. Any cash not required for operating expenses is placed on deposit at the most favourable rate available from providers covered by the Financial Services Compensation Scheme. Day to day management of the surplus funds is delegated to the Principal and Finance Director within strict guidelines approved by the Board of Trustees.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Trustees has reviewed the major 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 principal risks and uncertainties facing the Academy are as follows:

Financial - the Academy has considerable reliance on continued Government funding through the EFA. In the last year 99.6% of the Academy's incoming resources were ultimately Government funded and whilst this level is expected to continue, there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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

Safeguarding and child protection - the Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline.

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

Fraud and mismanagement of funds - The Academy has appointed a Responsible Officer to carry out checks on financial systems and records as required by the Academy Financial Handbook. All finance staff receive training to keep them up to date with financial practice requirements and develop their skills in this area.

The Academy has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness. A risk register is maintained and reviewed and updated on a regular basis.

The Academy has agreed a Risk Management Strategy, a Risk Register and a Risk Management Plan. These have been discussed by Trustees and include the financial risks to the Academy. The register and plan are regularly reviewed in light of any new information and formally reviewed annually.

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

Whilst the Academy is at the bottom of the demographic trough and will start to see increases in student

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numbers again, risks to revenue funding from a falling roll will decrease. However, the reduction in post 16 funding levels, the freeze on the Government's overall education budget, changes in funding arrangements for High Needs and increasing employment and premises costs mean that budgets will be increasingly tight in coming years.

The Trustees examine the financial health formally every term. They review performance against budgets and overall expenditure by means of regular update reports at all Board and Finance Committee meetings. The Trustees also regularly review cash flow forecasts and ensure sufficient funds are held to cover all known and anticipated commitments.

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

The Board of Trustees recognises that the defined benefit pension scheme deficit (Local Government Pension Scheme), which is set out in Note 25 to the financial statements, represents a significant potential liability. However as the Trustees consider that the Academy is able to meet its known annual contribution commitments for the foreseeable future, this risk from this liability is minimised.

PLANS FOR FUTURE PERIODS

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

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

Following the notification of a successful capital funding bid, the Academy will continue construction of its new Technology and MFL block in the coming year. The Board of Trustees plans to maintain the majority of existing reserves and any surplus from 2014/15 towards the next phases of the planned development. The current phase is due for completion in March 2015.

The Academy plans to continue with its building replacement programme and will apply for funding and planning permission for the next phase which will include a new gym and Vocational education classrooms.

Full details of our plans for the future are given in our College Improvement Plan, which is available on our website or from the Clerk to the Trustees.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Academy and its Trustees do not act as the Custodian Trustees of any other Charity.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2014**

AUDITORS

In so far as the Trustees are aware:

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

The auditors, Bishop Fleming LLP, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

Trustees' report, incorporating a strategic report, approved by order of the Board of Trustees, as company directors, on 3 December 2014 and signed on the board's behalf by:

**Lynda Price
Chair of Governors**

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Trustees, we acknowledge we have overall responsibility for ensuring that Honiton Community College Academy 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 Principal, 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 Honiton Community College Academy 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 Trustees' responsibilities statement. The Board of Trustees has formally met 6 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
J Boland	5	6
M Clements	5	6
S A Johnson	4	6
P Keeling	2	6
G A Kirby, Staff Trustee	1	2
J McCartney	6	6
J R Phillips	1	1
L Price, Chair	5	6
A Salter, Staff Trustee	5	6
G N Smith, Principal	5	6
K E Smith	5	6
K Turner, Vice Chair	4	6
C Vining	4	5
A C Williams	0	1
R Shorter, Staff Trustee	6	6
I Copeman	4	4
M M Tipping	1	1
G Donne-Davis	4	4
M A Evans	3	3
A S Holt, Staff Trustee	2	2
M V Harman	1	1
C Bowles, Staff Trustee	0	0

The Board of Trustees appointed a Co-opted Governor on the 17 November 2013 (J Boland – Parent Governor from 17 November 2009 to 16 November 2014).

Governance reviews:

The College was inspected by Ofsted in February and was deemed to require improvement with a grade 3 for Leadership and Management. However the inspection team noted as follows and were confident about the governance of the College.

“The strong governing body demonstrates a good grasp of the current school performance, including the quality of teaching and students’ rate of progress and achievement. It challenges and holds the school to account in positive ways.

The governing body is aware of how the school spends its pupil premium funding and works with the school to monitor the progress of students eligible for the additional support.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

Regular training and briefings ensure governors have an assured grasp of school performance information. The governing body ensures that teachers' performance management is effectively linked to rewards and incentives for good teaching. The sixth form are represented on the governing body through an associate governorship position"

At the beginning of each academic year the governing body review their committee structure and terms of reference. We have almost completed a large piece of work consolidating our Standing Orders and Articles of Association to reduce overlap and add clarity. This document is with our solicitors and will be adopted at the December 14 GB meeting. The Chair has initiated a 1:1 programme with each governor running throughout November 14. We are expecting another Ofsted inspection within the next 12 months The Principal, Vice Principal and Chair of Governors attended a Post Ofsted training day which included a section on good governance

The **Finance Committee** is a sub-committee of the main Board of Trustees.

- To assist the decision making of the governing body, by enabling more detailed consideration to be given to the best means of fulfilling the governing body's responsibility to ensure sound management of the academy's finances.
- To ensure that the Academy undertakes proper financial planning, monitoring and probity.
- To make appropriate comments and recommendations on such matters to the governing body on a regular basis.
- Major issues will be referred to the full governing body for ratification.

Areas of Responsibility

Subject to statutory requirements, the committee is authorised:

In consultation with the Principal and taking into consideration:

- > available resources;
- > sustainability of commitments;
- > the college improvement plan (CIP);
- > forecast student numbers;
- > anticipated contractual liabilities; and
- > other relevant factors.
- To consider the academy's indicative funding, notified annually by the EFA, and to assess its implications for the academy, in consultation with the Principal, in advance of the financial year, drawing any matters of significance or concern to the attention of the governing body.
- To scrutinise, consider and recommend acceptance/non-acceptance of the academy's annual and three year budget to the governing body, at the start of each financial year.
- To contribute to the formulation of the academy's development plan, through the consideration of financial priorities and proposals, in consultation with the Principal, with the stated and agreed aims and objectives of the academy.
- To receive and make recommendations on the broad budget headings and areas of expenditure to be adopted each year, including the level and use of any contingency fund or balances, ensuring the compatibility of all such proposals with the development priorities set out in the College Improvement Plan (CIP).
- To liaise with and receive reports from the other committees, as appropriate, and to make recommendations to those committees about the financial aspects of matters being considered by them.
- To monitor and review expenditure on a regular basis and ensure compliance with the overall financial plan for the academy, and with the financial regulations of the EFA, drawing any matters of concern to the

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

attention of the governing body. As part of this the committee will:

- > Make decisions in relation to service level agreements, in accordance with the scheme of delegation;
 - > Approve non routine expenditure (not provided for in the CIP) in accordance with the scheme of delegation;
 - > Ensure that the principles of best value are followed when making decisions and within the college;
 - > Monitor statistics, performance indicators and key ratios and other non financial data affecting the budget, directing action as appropriate; and
 - > Monitor capital expenditure and take appropriate steps in the event of possible under / over spending.
- To monitor and review procedures for ensuring the effective implementation and operation of financial procedures, on a regular basis, including the implementation of bank account arrangements and, where appropriate to make recommendations for improvement. As part of this the committee will:

Establish and recommend appropriate policies (to include recommended levels of delegated authority) to the governing body. This will include:

- > Finance Policy
- > Budget Monitoring Policy
- > Procurement Policy
- > Charging and Remissions Policy
- > Lettings Policy
- > Governors Expenses Policy

Review all policies and levels of charges annually and recommend changes as appropriate.

- To approve the financial statement to form part of the annual report of the governing body to parents and for filing in accordance with Companies Act and Charity Commission requirements
- To receive auditors' reports and to recommend to the full governing body action as appropriate in response to audit findings.
- To recommend to the governing body the appointment of a Responsible Officer.
- To recommend to the full governing body the appointment or reappointment of the auditors of the academy.

During the year M Evans (who is a qualified accountant and Member Appointed Governor), I Copeman (who is a Parent Governor) and A Holt (who is Staff Governor and already attended the meetings as Vice-Principal) joined the committee. P Keeling (who is solicitor and Member Appointed Governor moved to the Campus and Health and Safety Committee), J Phillips (Parent Governor) left the committee due to end of term of office. M Tipping (Parent Governor) joined the committee but resigned shortly after.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
J McCartney (Chair of Finance)	6	6
L Price (Chair of Governors)	4	6
G N Smith (Principal)	5	6
J Boland	5	6
P Keeling (moved to new committee 28 April 2014)	3	4
M Evans (appointed 26 March 2014)	2	2
I Copeman (appointed 6 January 2014)	4	4
J Phillips (end of term 16 November 2013)	0	1

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

GOVERNANCE STATEMENT (continued)

M Tipping (elected 27 January 2014, resigned 26 April 2014)	0	1
A Holt (Vice-Principal, also Staff Governor from 22 April 2014)	1	2

The Audit Committee is part of the Finance Committee.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Honiton Community College Academy Trust for the year 1 September 2013 to 31 August 2014 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 ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2013 to 31 August 2014 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 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;
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Devon Audit Partnership, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the RO reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The RO has completed the planned series of checks and reported to the Trustees the results of these visits and inspections. Each visit has resulted in a report of a good or high standard. Any small or immaterial adjustments have been carried out with consultation and involvement of the RO.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

- the work of the Responsible Officer;
- the work of the external auditors;
- 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 Finance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 3 December 2014 and signed on its behalf, by:

L Price
Chair of Trustees

G N Smith
Accounting Officer

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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

Glenn Smith
Accounting Officer

Date: 3 December 2014

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014**

The Trustees (who act as governors of Honiton Community College Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic report) and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

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

L Price
Chair of Trustees

Date: 3 December 2014

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONITON COMMUNITY COLLEGE
ACADEMY TRUST**

We have audited the financial statements of Honiton Community College Academy Trust for the year ended 31 August 2014 which comprise the Statement of financial activities, the Balance sheet, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONITON COMMUNITY COLLEGE
ACADEMY TRUST**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Tim Borton FCA DChA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming LLP

Chartered Accountants

Statutory Auditors

2nd Floor Stratus House

Emperor Way

Exeter Business Park

Exeter

EX1 3QS

10 December 2014

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HONITON
COMMUNITY COLLEGE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 19 October 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2013 to 2014, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Honiton Community College Academy Trust during the year 1 September 2013 to 31 August 2014 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 Honiton Community College Academy Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Honiton Community College Academy Trust and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Honiton Community College Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF HONITON COMMUNITY COLLEGE ACADEMY TRUST'S
ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT**

The accounting officer is responsible, under the requirements of Honiton Community College Academy Trust's funding agreement with the Secretary of State for Education dated 01 July 2011, and the Academies Financial Handbook extant from 1 September 2013, 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 2013 to 2014. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2013 to 31 August 2014 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 2013 to 2014 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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

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

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO HONITON
COMMUNITY COLLEGE ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Tim Borton FCA DChA (Reporting Accountant)

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS
10 December 2014

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account and statement of total recognised gains and losses)
FOR THE YEAR ENDED 31 AUGUST 2014

	Note	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	7,230	-	-	7,230	7,809
Activities for generating funds	3	219,049	-	-	219,049	182,116
Investment income	4	1,740	-	-	1,740	1,077
Incoming resources from charitable activities	5	16,907	4,611,663	1,688,626	6,317,196	4,946,983
TOTAL INCOMING RESOURCES		244,926	4,611,663	1,688,626	6,545,215	5,137,985
RESOURCES EXPENDED						
Costs of generating funds:						
Fundraising expenses and other costs		124,648	-	-	124,648	153,033
Charitable activities	7,8	30,178	4,807,993	380,430	5,218,601	5,253,897
Governance costs	9	-	12,514	-	12,514	12,926
TOTAL RESOURCES EXPENDED	6	154,826	4,820,507	380,430	5,355,763	5,419,856
NET INCOMING / (OUTGOING) RESOURCES BEFORE TRANSFERS						
		90,100	(208,844)	1,308,196	1,189,452	(281,871)
Transfers between Funds	18	-	53,943	(53,943)	-	-
NET INCOME / (EXPENDITURE) FOR THE YEAR						
		90,100	(154,901)	1,254,253	1,189,452	(281,871)
Actuarial gains and losses on defined benefit pension schemes		-	(293,000)	-	(293,000)	(37,000)
NET MOVEMENT IN FUNDS FOR THE YEAR						
		90,100	(447,901)	1,254,253	896,452	(318,871)
Total funds at 1 September		188,104	(720,984)	10,077,800	9,544,920	9,863,791
TOTAL FUNDS AT 31 AUGUST		278,204	(1,168,885)	11,332,053	10,441,372	9,544,920

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

The notes on pages 28 to 47 form part of these financial statements.

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)
REGISTERED NUMBER: 07665387

BALANCE SHEET
AS AT 31 AUGUST 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	15		9,960,864		10,053,977
CURRENT ASSETS					
Debtors	16	1,278,537		95,686	
Cash at bank and in hand		908,354		603,268	
		2,186,891		698,954	
CREDITORS: amounts falling due within one year	17	(350,383)		(254,011)	
NET CURRENT ASSETS			1,836,508		444,943
TOTAL ASSETS LESS CURRENT LIABILITIES			11,797,372		10,498,920
Defined benefit pension scheme liability	25		(1,356,000)		(954,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITY			10,441,372		9,544,920
FUNDS OF THE ACADEMY					
Restricted funds:					
General funds	18	187,115		233,016	
Fixed asset funds	18	11,332,053		10,077,800	
Restricted funds excluding pension liability		11,519,168		10,310,816	
Pension reserve		(1,356,000)		(954,000)	
Total restricted funds			10,163,168		9,356,816
Unrestricted funds	18		278,204		188,104
TOTAL FUNDS			10,441,372		9,544,920

The financial statements were approved by the Trustees, and authorised for issue, on 3 December 2014 and are signed on their behalf, by:

L Price
Chair of Trustees

G N Smith
Accounting Officer

The notes on pages 28 to 47 form part of these financial statements.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	2014 £	2013 £
Net cash flow from operating activities	20	(108,525)	131,694
Returns on investments and servicing of finance	21	1,740	1,077
Capital expenditure and financial investment	21	411,871	(52,658)
INCREASE IN CASH IN THE YEAR		305,086	80,113

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 AUGUST 2014**

	2014 £	2013 £
Increase in cash in the year	305,086	80,113
MOVEMENT IN NET FUNDS IN THE YEAR	305,086	80,113
Net funds at 1 September 2013	603,268	523,155
NET FUNDS AT 31 AUGUST 2014	908,354	603,268

The notes on pages 28 to 47 form part of these financial statements.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction 2013 to 2014 issued by EFA, applicable accounting standards and the Companies Act 2006.

Guidance in Accounts Direction has changed from last year and where this impacts the comparative figures these have been adjusted accordingly.

1.2 FUND ACCOUNTING

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy 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 and include grants from the Department for Education.

Investment income, gains and losses are allocated to the appropriate fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

1. ACCOUNTING POLICIES (continued)

1.3 INCOMING RESOURCES

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

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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

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

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

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's policies.

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

1. ACCOUNTING POLICIES (continued)

1.4 RESOURCES EXPENDED

Expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities are costs incurred in the Academy Trust's educational operations.

Governance costs include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Trustees' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

1.5 GOING CONCERN

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The Trustees make this assessment in respect of a period of one year from the date of approval of the financial statements. The Trustees conclude that it is appropriate to prepare accounts on the going concern basis for the year ended 31 August 2014.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,000 are capitalised.

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

1. ACCOUNTING POLICIES (continued)

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

Long term leasehold property	-	2% / 0.8% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	20% straight line
Computer equipment	-	33% straight line
Asset under construction	-	Not depreciated

1.7 OPERATING LEASES

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

1.8 TAXATION

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

1.9 PENSIONS

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the Academy 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 Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

2. VOLUNTARY INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Donations	7,230	-	7,230	7,809

3. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Lettings	30,534	-	30,534	27,861
Music tuition income	9,322	-	9,322	8,108
Activity fees and trip income	154,209	-	154,209	94,412
Other	24,984	-	24,984	51,735
	<u>219,049</u>	<u>-</u>	<u>219,049</u>	<u>182,116</u>

4. INVESTMENT INCOME

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
Bank interest	1,740	-	1,740	1,077

HONITON COMMUNITY COLLEGE ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Total funds 2014 £	Total funds 2013 £
DfE/EFA grants				
General Annual Grant	-	4,364,953	4,364,953	4,489,016
Capital Grants	-	1,688,626	1,688,626	19,626
Other DfE/EFA grants	-	156,163	156,163	179,569
	<u>-</u>	<u>6,209,742</u>	<u>6,209,742</u>	<u>4,688,211</u>
Other Government grants				
High Needs funding	-	79,687	79,687	203,190
Other government grants non capital	-	10,860	10,860	48,214
	<u>-</u>	<u>90,547</u>	<u>90,547</u>	<u>251,404</u>
Other funding				
Sales to students	9,080	-	9,080	7,368
Income for hosting trainee teachers	7,827	-	7,827	-
	<u>16,907</u>	<u>-</u>	<u>16,907</u>	<u>7,368</u>
	<u>16,907</u>	<u>6,300,289</u>	<u>6,317,196</u>	<u>4,946,983</u>

6. RESOURCES EXPENDED

	Staff costs 2014 £	Non Pay Premises 2014 £	Expenditure Other 2014 £	Total 2014 £	Total 2013 £
Fundraising expenses	-	-	124,648	124,648	153,033
COSTS OF GENERATING FUNDS	<u>-</u>	<u>-</u>	<u>124,648</u>	<u>124,648</u>	<u>153,033</u>
Direct costs	3,089,675	149,923	383,304	3,622,902	3,667,043
Support costs	734,273	419,667	441,759	1,595,699	1,586,854
CHARITABLE ACTIVITIES	<u>3,823,948</u>	<u>569,590</u>	<u>825,063</u>	<u>5,218,601</u>	<u>5,253,897</u>
GOVERNANCE	<u>-</u>	<u>-</u>	<u>12,514</u>	<u>12,514</u>	<u>12,926</u>
	<u>3,823,948</u>	<u>569,590</u>	<u>962,225</u>	<u>5,355,763</u>	<u>5,419,856</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

7. DIRECT COSTS

	Total 2014	Total 2013
Pension finance costs	33,000	24,000
Educational supplies	38,193	53,158
Examination fees	92,752	66,355
Staff development	28,149	36,205
Other costs	35,234	11,263
Supply teachers	25,266	27,091
Wages and salaries	2,468,980	2,587,625
National insurance	182,863	190,128
Pension cost	412,566	375,527
Depreciation	305,899	295,691
	<u>3,622,902</u>	<u>3,667,043</u>

8. SUPPORT COSTS

	Total 2014 £	Total 2013 £
Recruitment and other staff costs	9,477	5,518
Maintenance of premises and equipment	226,989	263,355
Cleaning	14,505	15,906
Rent and rates	85,666	71,623
Heat and light	63,616	68,246
Insurance	64,292	77,634
Security and transport	27,424	30,255
Catering	44,095	35,841
Technology costs	99,117	78,146
Office overheads	50,259	50,796
Legal and professional	99,376	97,510
Bank interest and charges	2,079	3,043
Wages and salaries	630,039	607,205
National insurance	31,096	33,093
Pension cost	73,138	80,085
Depreciation	74,531	68,598
	<u>1,595,699</u>	<u>1,586,854</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

9. GOVERNANCE COSTS

	Total funds 2014 £	Total funds 2013 £
Auditors' remuneration	6,535	6,000
Auditors' non audit costs	3,125	5,980
Responsible Officer Costs	1,300	-
Legal and Professional	780	-
Other costs	774	946
	<u>12,514</u>	<u>12,926</u>

10. NET INCOMING / (OUTGOING) RESOURCES

This is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the charity	380,431	364,289
Auditors' remuneration	6,535	6,000
Auditors' remuneration - non-audit	3,125	5,980
Operating lease rentals:		
- other operating leases	17,002	16,116
	<u>17,002</u>	<u>16,116</u>

11. STAFF

a. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	3,073,956	3,113,649
Social security costs	213,959	223,221
Pension costs	485,704	455,612
	<u>3,773,619</u>	<u>3,792,482</u>
Supply teacher costs	25,063	81,181
Agency supply teacher costs	25,266	27,091
	<u>3,823,948</u>	<u>3,900,754</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

11. STAFF (continued)

b. Staff numbers

The average number of persons employed by the Academy Trust during the year expressed as full time equivalents was as follows:

	2014 No.	2013 No.
Teachers	48	53
Administration and support	70	64
Management	6	6
	<hr/> 124 <hr/>	<hr/> 123 <hr/>

c. Higher paid staff

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

	2014 No.	2013 No.
In the band £60,001 - £70,000	1	1
In the band £80,001 - £90,000	1	1
	<hr/> 2 <hr/>	<hr/> 2 <hr/>

Both of the above employees participated in the Teacher's Pension Scheme. During the period ended 31 August 2014, annual pension contributions for these staff amounted to £20,822 (2013: £20,392).

12. TRUSTEES' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 5 Trustees (2013: 3) in respect of defined benefit pension schemes.

The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as Trustees. Other Trustees did not receive any payments from the Academy in respect of their role as Trustees. The value of annualised Trustees' remuneration (including employer pension contributions) in the year was as follows: G Smith £90,000 - £95,000 (2013: £90,000 - £95,000), A Holt £75,000 - £80,000 (2013: £nil) (2014 Actual: £25,000 - £30,000), A Salter £20,000 - £25,000 (2013: £15,000 - £20,000), G Kirby £40,000 - £45,000 (2013: £35,000 - £40,000) (2014 Actual: £15,000 - £20,000) and R Shorter £20,000 - £25,000 (2013: £20,000 - £25,000).

During the year, no Trustees received any benefits in kind (2013: £NIL).

During the year, no Trustees received any reimbursement of expenses (2013: £NIL).

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

13. 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 £2,000,000 on any one claim and the cost for the year ended 31 August 2014 was £298 (2013: £289). The cost of this insurance is included in the total insurance cost.

14. OTHER FINANCE INCOME

	2014 £	2013 £
Expected return on pension scheme assets	64,000	42,000
Interest on pension scheme liabilities	(97,000)	(66,000)
	<u>(33,000)</u>	<u>(24,000)</u>

15. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Asset under construction £	Total £
COST						
At 1 September 2013	10,203,443	19,500	107,792	493,716	-	10,824,451
Additions	-	-	-	15,776	271,542	287,318
At 31 August 2014	<u>10,203,443</u>	<u>19,500</u>	<u>107,792</u>	<u>509,492</u>	<u>271,542</u>	<u>11,111,769</u>
DEPRECIATION						
At 1 September 2013	378,530	9,141	46,709	336,094	-	770,474
Charge for the year	186,451	2,590	21,559	169,831	-	380,431
At 31 August 2014	<u>564,981</u>	<u>11,731</u>	<u>68,268</u>	<u>505,925</u>	<u>-</u>	<u>1,150,905</u>
NET BOOK VALUE						
At 31 August 2014	<u>9,638,462</u>	<u>7,769</u>	<u>39,524</u>	<u>3,567</u>	<u>271,542</u>	<u>9,960,864</u>
At 31 August 2013	<u>9,824,913</u>	<u>10,359</u>	<u>61,083</u>	<u>157,622</u>	<u>-</u>	<u>10,053,977</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

16. DEBTORS

	2014 £	2013 £
Trade debtors	2,534	5,176
VAT recoverable	66,640	18,452
Prepayments and accrued income	1,209,363	72,058
	<u>1,278,537</u>	<u>95,686</u>

Included in accrued income in 2014 is ACMF capital grant funding receivable of £1,131,201.

**17. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Trade creditors	26,555	25,284
Other taxation and social security	62,911	71,680
Other creditors	54,385	56,277
Accruals and deferred income	206,532	100,770
	<u>350,383</u>	<u>254,011</u>

DEFERRED INCOME

Deferred income at 1 September 2013	56,933
Resources deferred during the year	63,509
Amounts released from previous years	(56,933)
Deferred income at 31 August 2014	<u>63,509</u>

At the balance sheet date the Academy was holding funds received in advance for trips being held in the 2014/15 academic year together with enhanced funding for 2014/15.

18. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
UNRESTRICTED FUNDS						
General funds	<u>188,104</u>	<u>244,926</u>	<u>(154,826)</u>	<u>-</u>	<u>-</u>	<u>278,204</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

18. STATEMENT OF FUNDS (continued)

RESTRICTED FUNDS

General Annual Grant (GAG)	224,853	4,364,953	(4,483,464)	3,943	-	110,285
General Annual Grant (GAG) - To be used towards funding capital project	-	-	-	50,000	-	50,000
High Needs funding	-	79,687	(79,687)	-	-	-
Pupil Premium	-	140,329	(140,329)	-	-	-
16-19 bursary	8,163	22,342	(3,675)	-	-	26,830
Other curriculum income	-	4,352	(4,352)	-	-	-
Pension reserve	(954,000)	-	(109,000)	-	(293,000)	(1,356,000)
	<u>(720,984)</u>	<u>4,611,663</u>	<u>(4,820,507)</u>	<u>53,943</u>	<u>(293,000)</u>	<u>(1,168,885)</u>

RESTRICTED FIXED ASSET FUNDS

Fixed assets transferred on conversion	9,962,266	-	(302,549)	-	-	9,659,717
Fixed assets purchased from GAG and other restricted funds	49,584	-	(48,049)	-	-	1,535
Devolved Formula Capital	33,978	18,681	(24,225)	-	-	28,434
Capital surplus transferred on conversion	31,972	-	(5,607)	-	-	26,365
Academies Capital Maintenance Fund	-	1,669,945	-	(53,943)	-	1,616,002
	<u>10,077,800</u>	<u>1,688,626</u>	<u>(380,430)</u>	<u>(53,943)</u>	<u>-</u>	<u>11,332,053</u>
Total restricted funds	<u>9,356,816</u>	<u>6,300,289</u>	<u>(5,200,937)</u>	<u>-</u>	<u>(293,000)</u>	<u>10,163,168</u>
Total of funds	<u><u>9,544,920</u></u>	<u><u>6,545,215</u></u>	<u><u>(5,355,763)</u></u>	<u><u>-</u></u>	<u><u>(293,000)</u></u>	<u><u>10,441,372</u></u>

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

RESTRICTED FUNDS

General Annual Grant (GAG) - Income from the EFA which is to be used for the normal running costs of the Academy, including education and support costs. £50,000 of GAG has been designated for use on planned capital projects.

High Needs - Funding received by the Local Authority to fund further support for students with additional needs.

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

18. STATEMENT OF FUNDS (continued)

Pupil Premium - Funding received from the EFA to cater for disadvantaged pupils.

16-19 Bursary - Funding received from the EFA and Local Authority for pupils over the age of 16.

Pension reserve – This represents the academy's share of the assets and liabilities in the Local Government Pension Scheme. As with most pension schemes this is currently in deficit due to an excess of scheme liabilities over scheme assets which was inherited on conversion to an academy. The academy is following the recommendations of the actuary to reduce the deficit by making additional contributions over a number of years.

RESTRICTED FIXED ASSET FUNDS

Fixed assets transferred on conversion represent the building and equipment donated to the school from the Local Authority on conversion to an academy.

Capital Expenditure from GAG - This represents funds transferred from the restricted GAG fund to purchase fixed assets.

Devolved Formula Capital - This represents funding from the EFA to cover the maintenance and purchase of the academy's assets.

Academies Capital Maintenance Fund - These funds are received for direct expenditure on fixed asset projects.

Capital surplus transferred on conversion - this represents unspent capital grants donated to the school from the Local Authority on conversion to an academy.

OTHER INFORMATION

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2014.

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2014 £	Restricted funds 2014 £	Restricted fixed asset funds 2014 £	Total funds 2014 £	Total funds 2013 £
Tangible fixed assets	-	-	9,960,864	9,960,864	10,053,977
Current assets	321,443	352,495	1,512,953	2,186,891	698,954
Creditors due within one year	(43,239)	(165,380)	(141,764)	(350,383)	(254,011)
Pension scheme liability	-	(1,356,000)	-	(1,356,000)	(954,000)
	<u>278,204</u>	<u>(1,168,885)</u>	<u>11,332,053</u>	<u>10,441,372</u>	<u>9,544,920</u>

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Net incoming resources before revaluations	1,189,452	(281,871)
Returns on investments and servicing of finance	(1,740)	(1,077)
Depreciation of tangible fixed assets	380,431	364,289
Capital grants from DfE	(1,688,626)	-
Increase in debtors	(51,649)	(79,313)
(Decrease)/increase in creditors	(45,393)	67,666
FRS17 pension finance (income)/cost	33,000	24,000
FRS17 pension costs less contributions paid	76,000	38,000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(108,525)	131,694

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £	2013 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	1,740	1,077
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(145,554)	(52,658)
Capital grants from DfE	557,425	-
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	411,871	(52,658)

22. ANALYSIS OF CHANGES IN NET FUNDS

	1 September 2013 £	Cash flow £	Other non-cash changes £	31 August 2014 £
Cash at bank and in hand:	603,268	305,086	-	908,354
NET FUNDS	603,268	305,086	-	908,354

23. MEMBERS' LIABILITY

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

**HONITON COMMUNITY COLLEGE ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2014**

24. CAPITAL COMMITMENTS

At 31 August 2014 the Academy Trust had capital commitments as follows:

	2014 £	2013 £
Contracted for but not provided in these financial statements	<u>1,476,579</u>	<u>-</u>

25. PENSION COMMITMENTS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2004 and of the LGPS 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

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

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

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial review, it is found that accumulated liabilities of the account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240 million. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of

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25. PENSION COMMITMENTS (continued)

earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

The Public Service Pensions Bill provides for future scheme valuations to be conducted in accordance with Treasury directions. The actuarial valuation report in summer 2014 takes effect from September 2015.

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in from April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Academy Trust has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2014 was £186,000, of which employer's contributions totalled £141,000 and employees' contributions totalled £45,000. The agreed contribution rates for future years are 19.7% for employers and 5.5 - 7.5% 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.

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25. PENSION COMMITMENTS (continued)

The Academy Trust's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2014 %	Fair value at 31 August 2014 £	Expected return at 31 August 2013 %	Fair value at 31 August 2013 £
Equities and gilts	6.40	737,000	6.40	732,000
Bonds	3.60	46,000	-	-
Property	5.90	110,000	6.00	90,000
Cash	2.90	23,000	0.50	30,000
Target return portfolio	5.90	164,000	5.00	151,000
Infrastructure and alternative assets	4.50	53,000	-	-
Total market value of assets		<u>1,133,000</u>		<u>1,003,000</u>
Present value of scheme liabilities		<u>(2,489,000)</u>		<u>(1,957,000)</u>
(Deficit)/surplus in the scheme		<u><u>(1,356,000)</u></u>		<u><u>(954,000)</u></u>

The amounts recognised in the Balance sheet are as follows:

	2014 £	2013 £
Present value of funded obligations	(2,489,000)	(1,957,000)
Fair value of scheme assets	<u>1,133,000</u>	<u>1,003,000</u>
Net liability	<u><u>(1,356,000)</u></u>	<u><u>(954,000)</u></u>

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

	2014 £	2013 £
Current service cost	(188,000)	(174,000)
Interest on obligation	(97,000)	(66,000)
Expected return on scheme assets	64,000	42,000
Gains on curtailments and settlements	(29,000)	-
Total	<u><u>(250,000)</u></u>	<u><u>(198,000)</u></u>

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25. PENSION COMMITMENTS (continued)

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

	2014 £	2013 £
Opening defined benefit obligation	1,957,000	1,586,000
Current service cost	188,000	174,000
Interest cost	97,000	66,000
Contributions by scheme participants	45,000	41,000
Actuarial Losses	206,000	103,000
Losses on curtailments	29,000	-
Benefits paid	(33,000)	(13,000)
	<u>2,489,000</u>	<u>1,957,000</u>
Closing defined benefit obligation	<u>2,489,000</u>	<u>1,957,000</u>

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

	2014 £	2013 £
Opening fair value of scheme assets	1,003,000	731,000
Expected return on assets	64,000	42,000
Actuarial gains and (losses)	(87,000)	66,000
Contributions by employer	141,000	136,000
Contributions by employees	45,000	41,000
Benefits paid	(33,000)	(13,000)
	<u>1,133,000</u>	<u>1,003,000</u>
	<u>1,133,000</u>	<u>1,003,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of financial activities was £560,000 loss (2013: £267,000 loss).

The Academy Trust expects to contribute £134,000 to its Defined benefit pension scheme in 2015.

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

	2014	2013
Equities and gilts	65.00 %	73.00 %
Bonds	4.00 %	- %
Property	10.00 %	9.00 %
Cash	2.00 %	3.00 %
Target return portfolio	14.00 %	15.00 %
Infrastructure and alternative assets	5.00 %	- %

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

	2014	2013
Discount rate for scheme liabilities	3.90 %	4.70 %
Expected return on scheme assets at 31 August	6.00 %	6.00 %
Rate of increase in salaries	4.50 %	5.10 %
Rate of increase for pensions in payment / inflation	2.70 %	2.90 %

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25. PENSION COMMITMENTS (continued)

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

	2014	2013
Retiring today		
Males	22.7	20.6
Females	26.0	24.6
Retiring in 20 years		
Males	24.9	22.6
Females	28.3	26.5

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined benefit obligation	(2,489,000)	(1,957,000)	(1,586,000)	-	-
Scheme assets	1,133,000	1,003,000	731,000	-	-
Deficit	<u>(1,356,000)</u>	<u>(954,000)</u>	<u>(855,000)</u>	<u>-</u>	<u>-</u>
Experience adjustments on scheme liabilities	(206,000)	(103,000)	(241,000)	-	-
Experience adjustments on scheme assets	<u>(87,000)</u>	<u>66,000</u>	<u>11,000</u>	<u>-</u>	<u>-</u>

26. OPERATING LEASE COMMITMENTS

At 31 August 2014 the Academy Trust had annual commitments under non-cancellable operating leases as follows:

	2014	2013
	£	£
EXPIRY DATE:		
Within 1 year	15,241	-
Between 2 and 5 years	<u>1,761</u>	<u>16,116</u>

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27. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustee has an interest. All transactions involving such organisations are conducted at an arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures. No related party transactions took place in the period of account with exception of the staff governors remuneration as disclosed in Note 12.